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Canada, Railways, Canals and
Telegraph Lines, Standing Order, 1951

SESSION 1951

HOUSE OF COMMONS

Government
Publications

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STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

CHAIRMAN—MR. L. O. BREITHAUP

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

BILL No. 116 (Letter E of the Senate)

Intituled: "An Act Respecting British Columbia
Telephone Company"

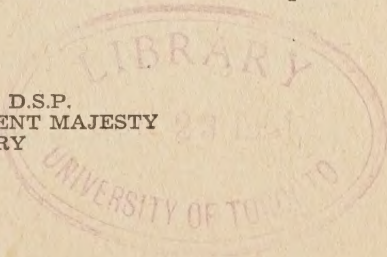
THURSDAY, JUNE 7, 1951

FRIDAY, JUNE 8, 1951

WITNESSES:

- Mr. Sherwood Lett, K.C., Counsel for the British Columbia Telephone Company, Vancouver, B.C.;
- Mr. Gordon Farrell, President, British Columbia Telephone Company, Vancouver, B.C.;
- Mr. James Hamilton, Senior Vice-President, British Columbia Telephone Company, Vancouver, B.C.

OTTAWA
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CONTROLLER OF STATIONERY
1951



MINUTES OF PROCEEDINGS

THURSDAY, June 7, 1951.

The Standing Committee on Railways, Canals and Telegraph Lines met at 10.00 o'clock a.m. Mr. Breithaupt, Chairman, presided.

Members present: Applewhaite, Beyerstein, Byrne, Browne (*St. John's West*), Carter, Darroch, Dewar, Ferguson, Fulton, Green, Healy, Herridge, Hodgson, James, Jones, Laing Lennard, MacDougall, Macdonald (*Edmonton East*), MacInnis, MacNaught, McGregor, Mott, Murphy, Riley, Robinson, Shaw, Stuart (*Charlotte*), Whiteside, Whitman.

In attendance: Mr. Duncan K. McTavish, K.C., Parliamentary Agent for Petitioners Ottawa, Ont.; Mr. Sherwood Lett, K.C., Solicitor for Petitioners, Vancouver, B.C.; Mr. Gordon Farrell, President, British Columbia Telephone Company, Vancouver, B.C.; Mr. James Hamilton, Senior Vice-President, British Columbia Telephone Company, Vancouver, B.C.; Mr. Lionel Kent, C.A., of Riddell, Stead, Graham & Hutchinson, Chartered Accountants, Auditors of British Columbia Telephone Company, Vancouver, B.C.; Mr. Charles Brakenridge, Parliamentary Agent for the City of Vancouver, Vancouver, B.C.

The Committee commenced consideration of Bill No. 116 (Letter E of the Senate), intituled: "An Act respecting British Columbia Telephone Company".

Mr. Applewhaite, M.P., sponsor of the Bill, introduced Mr. Sherwood Lett, K.C., Solicitor for Petitioners.

Mr. Lett was called, outlined the purposes of the bill and was questioned.

Mr. Farrell, President of the Company, was called, heard and questioned.

On motion of Mr. Healy:

Resolved,—That Mr. Whitman be Deputy-Vice-Chairman of the Committee.

At 1 o'clock p.m. the Committee adjourned to meet again at 8.30 p.m. this day.

EVENING SITTINGS

THURSDAY, June 7, 1951.

The Committee resumed at 8.30 o'clock p.m. Mr. Whitman, the Deputy Vice-Chairman, presided.

Members present: Applewhaite, Byrne, Carter, Conacher, Darroch, Ferguson, Fulton, Gillis, Goode, Green, Healy, Herridge, Hodgson, James, Jones, MacDougall, Macdonald (*Edmonton East*), MacInnis, McIvor, Mott, Riley, Robinson, Shaw, Smith (*Queens-Shelbourne*), Stuart (*Charlotte*), Whiteside.

In attendance: Same as indicated for the morning session.

The Committee resumed consideration of Bill No. 116, An Act respecting British Columbia Telephone Company.

It was agreed to hear Mr. Lett in relation to certain questions asked at the morning session. Mr. Lett was heard and questioned.

The examination of Mr. Farrell continued.

A discussion arising on the question of amending the Charter of the Company to the effect that the Board of Transport Commissioners shall take into consideration the fairness and the reasonableness of the charges levied against the company by its affiliated companies and of the amounts which are payable by reason of agreements between them, and a point of order being raised by Mr. Applewhaite that such discussion was out of order, the Chairman ruled that the point was well taken on the ground that such a question was beyond the Order of Reference of the Committee.

Mr. Lett was further examined.

It was agreed that Mr. James Hamilton, Senior Vice-President of the Company, would be the first witness called at the next meeting of the Committee.

On motion of Mr. Macdonald (*Edmonton East*):

Resolved,—That the Committee meet at 10 o'clock a.m., Monday, June 11, 1951, and that the first order of business be the two pipe line bills referred to the Committee, namely:

Bill No. 269, An Act to incorporate Independent Pipe Line Company, and

Bill No. 321, An Act to incorporate Champion Pipe Line Corporation Limited.

At 11 o'clock p.m. the Committee adjourned to meet again at 3.30 p.m., Friday, June 8, 1951.

FRIDAY, June 8, 1951.

The Standing Committee on Railways, Canals and Telegraph Lines met at 4.00 o'clock p.m. Mr. Whitman, Deputy Vice-Chairman, presided.

Members present: Applewhaite, Byrne, Browne (*St. John's West*), Conacher, Fulton, Goode, Green, Harrison, Herridge, James, Jones, Laing, MacDougall, Macdonald (*Edmonton East*), MacInnis, McIvor, Mott, Murphy, Robinson, Rooney, Stuart (*Charlotte*).

In attendance: Mr. Duncan K. McTavish, K.C., Parliamentary Agent for Petitioners. Ottawa, Ont.; Mr. Sherwood Lett, K.C., Solicitor for Petitioners, Vancouver, B.C.; Mr. Gordon Farrell, President, British Columbia Telephone Company, Vancouver, B.C.; Mr. James Hamilton, Senior Vice-President, British Columbia Telephone Company, Vancouver, B.C.; Mr. Lionel Kent, C.A., of Riddell, Stead, Graham & Hutchinson, Chartered Accountants, Auditors of British Columbia Telephone Company, Vancouver, B.C.; Mr. Charles Brakenridge, Parliamentary Agent for the City of Vancouver, Vancouver, B.C.

The Committee resumed consideration of Bill No. 116, An Act respecting British Columbia Telephone Company.

Mr. Green tabled for distribution copies of a document, dated February 9, 1951, being a letter addressed to the Mayor and Council of the City of Vancouver dealing with the application for a private bill by the British Columbia Telephone

Company, and having attached thereto excerpts from a report made by Messrs. D. E. McTaggart and C. Brakenridge to the Mayor and Council of the City of Vancouver, dated December 8, 1950, in connection with the judgment of the Board of Transport Commissioners on the application by the Company for an increase in rates which was heard in January of 1950.

On motion of Mr. Green:

Resolved,—That the said document and attachment be printed as *Appendix A* to the report of this day's proceedings.

It was agreed to hear Mr. Lett in relation to certain questions asked at the last meeting of the Committee. Mr. Lett was heard and questioned.

On motion of Mr. Green:

Resolved,—That the chart showing Inter-Corporate Relationship of the British Columbia Telephone Company, together with a statement showing subsequent changes be printed as *Appendix B* to the report of this day's proceedings.

Mr. Lett tabled for distribution copies of a Chart entitled: "Total Stations B.C. Telephone Co.", showing the number of stations and the held applications from the period 1938 down to 1951.

It was agreed that the said chart be printed as *Appendix C* to the report of this day's proceedings.

Mr. Farrell was further questioned and retired.

Mr. Hamilton was called.

Mr. Hamilton tabled for distribution copies of two documents entitled: "Exchange Service Rates (in cents per month) British Columbia Telephone Company", and "Exchange Service Rates (in cents per Month) Bell Telephone Company".

It was agreed that the said documents be printed as *Appendix D* and *Appendix D-1* respectively to the report of this day's proceedings.

Mr. Hamilton then tabled for distribution copies of a document entitled: "British Columbia Telephone Company Summary of Proposed Expenditures by Areas".

It was agreed that the said document be printed as *Appendix E* to the report of this day's proceedings.

Mr. Hamilton was heard and questioned.

At 5.45 o'clock p.m. Mr. MacDougall moved that the Committee sit tonight.

After some discussion and the question having been put on the motion of Mr. MacDougall, it was resolved in the negative on a standing vote.

At 5.55 the Committee adjourned to meet again at 10.00 o'clock a.m., Monday, June 11, 1951, in pursuance of a resolution passed by the Committee on June 7, 1951.

R. J. GRATRIX,

Clerk of the Committee.

ORDERS OF REFERENCE

FRIDAY, April 13, 1951.

Ordered,—That the name of Mr. Browne (*St. John's West*) be substituted for that of Mr. Adamson on the said Committee.

TUESDAY, May 29, 1951.

Ordered,—That the following Bills be referred to the said Committee:

Bill No. 116 (Letter E of the Senate), intituled:

An Act respecting British Columbia Telephone Company.

Bill No. 269 (Letter D-8 of the Senate), intituled:

An Act to incorporate Independent Pipe Line Company.

WEDNESDAY, May 30, 1951.

Ordered,—That the name of Mr. Jones be substituted for that of Mr. Noseworthy on the said Committee.

Ordered,—That the name of Mr. MacInnis be substituted for that of Mr. Thatcher on the said Committee.

THURSDAY, May 31, 1951.

Ordered,—That the name of Mr. Laing be substituted for that of Mr. Cannon on the said Committee.

MONDAY, June 4, 1951.

Ordered,—That the name of Mr. MacDougall be substituted for that of Mr. Thomson on the said Committee.

That the name of Mr. Goode be substituted for that of Mr. Weaver on the said Committee.

Attest.

LEON J. RAYMOND,
Clerk of the House.

EVIDENCE

HOUSE OF COMMONS,

JUNE 7, 1951.

The CHAIRMAN: Gentlemen, if you will please come to order, we have a quorum. I would like to start these meetings as nearly on time as possible. We have before us bill No. 116, bill E of the Senate, an Act respecting the British Columbia Telephone Company, which has been referred to this committee.

Mr. Applewhaite, sponsor of the bill in the House is here and it would be in order to hear him at this point if it is your wish.

Agreed.

Mr. APPLEWHAITE: Mr. Chairman and gentlemen, the main provisions of this bill were outlined on the second reading in the House. We have in attendance today Mr. Duncan K. McTavish, K.C., Parliamentary Agent; Mr. Sherwood Lett, K.C., Solicitor; Mr. Gordon Farrell, President, Mr. James Hamilton, Senior Vice-President, both of the British Columbia Telephone Company; and Mr. Lionel Kent, C.A. of the firm of Riddell, Stead, Graham and Hutchinson, the company's auditors. With your permission, Mr. Chairman, and with the approval of the committee I would like to call on the counsel for the company, Mr. Sherwood Lett, to outline the case and to call witnesses.

The CHAIRMAN: Is that your pleasure, gentlemen?

Agreed.

Mr. Sherwod Lett, K.C., Solicitor, City of Vancouver, called:

The CHAIRMAN: Would you kindly outline the provisions?

The WITNESS: Mr. Chairman, and members of the committee, the sponsor of this bill in introducing it in the House of Commons did, I think, give a very concise and very complete account of the purposes and objects of the bill, so I thought it might meet the wishes of the committee if I gave a very brief statement of the purposes of the bill, and as the sponsor undertook in the House, the senior officials of the company are here, as he has mentioned: Mr. Gordon Farrell, the president, and Mr. James Hamilton, the senior vice president and Mr. Lionel Kent, the Company's auditor. Our plan is that we would have Mr. Farrell available to give you some evidence and then to answer such questions as might be asked by members of the committee, and Mr. Hamilton and Mr. Kent will also be available to give such information as may be desired by the members.

Mr. Chairman, the purposes of the bill are five. The applicant, as you know, is the British Columbia Telephone Company which serves the Province of British Columbia, provides telephone service to approximately ninety per cent of the telephones in existence in that province. The purposes of the bill are, to increase the authorized capital of the company from \$25 million to \$75 million, that is an increase of \$50 million.

Mr. HODGSON: That is an increase of 200 per cent?

The WITNESS: That is an increase of 200 per cent; and secondly, to provide for the issue hereafter of preference or preferred shares of a share value of

either \$25 or \$100 each. The present Act provides for the issue of shares of \$100 in the terms of the preference. Thirdly, to make provisions for the subdivision of any outstanding preference or preferred shares of a par value of \$100 each into shares of a par value of \$25 each if deemed advisable by the directors and subject always to the consent of at least seventy-five per cent of the par value of the holders of each class of such preference or preferred shares proposed to be subdivided. Fourthly, to enable the company to pay a commission on the sale of those shares. Fifthly, to subdivide the present outstanding ordinary shares of a par value of \$100 each into shares of a par value of \$25 each and to provide that all subsequent issues of ordinary shares shall be of a par value of \$25 each.

Those are the five purposes of the application, and the main purpose is No. One or No. A shown in the bill, and that is to have the authorized capital, not the issued capital, but the authorized capital of the company increased from \$25 million to \$75 million. If I may say a word on that point first, Mr. Chairman, in 1947 this company came to parliament and petitioned for an increase of authorized capital from \$11 million which it had been to \$25 million and that was approved by parliament.

The CHAIRMAN: When was that?

The WITNESS: In 1947, Mr. Chairman.

Now, at that time it was estimated that that increase would be sufficient for the company's purposes for a considerable length of time. Now, today, approximately four years later, the company has issued all of its authorized capital, the whole \$25 million has been issued subject, of course, to the approval of the Board of Transport Commissioners as the issue was made. The last of that was issued within the last few weeks, since this application has been made, and since 1947 the company has issued not only the balance of the \$15 million of authorized stock, but it has also issued some \$8 million worth of bonds and \$5 million in the form of 15-year four per cent notes in the form of security. Now, in 1947 the company submitted to this committee and to the Senate committee, a program of expansion. That was this postwar program of expansion in which it planned for a period of five years and took it from 1947 to 1951. That program of expansion called for an estimated expenditure of \$35 million and in the company's thinking that \$35 million would have carried it, should have carried it, through from 1947 to 1951. That was the five-year expansion program.

Well, now, what has happened to that plan? We are in the fifth year or we have completed four years of that expansion program and they have actually committed \$33 $\frac{1}{4}$ million in that period, the actual figure is \$33,268,000, I think, and in the fifth year, that is this year, our commitments will require approximately \$14 million instead of the \$5 million or \$5 $\frac{1}{2}$ million which was estimated for the year 1951. Now, at the time the company came before parliament in 1947 it had applications for telephones, for telephone service—they call it in the telephone business unfilled applications—of 19,792. That is roughly 20,000 applications. That was thought to be the backlog of the war years, due to lack of materials and supplies and so on, and it was in fact deemed and treated as a backlog of the accumulation of the war years. From the first of January 1946 to the 31st of December 1950, the company provided, Mr. Chairman, additional telephones to the number of 83,000—83,351 additional telephones. That represented an increase of over 50 per cent down to the period of December 31, 1951. Well, one would have thought we would have caught up with the unfilled applications but as of April 30th of this year, that is 1951, there were approximately 23,000 held applications, unfilled orders for telephones. The actual figure was 22,781 as of April 30, 1951. Of course, Mr.

Chairman, in addition to supplying telephones there is the need for the upgrading and improving of existing services which the company must also take into its consideration, not only in the urban areas but also in the rural areas where it is admitted a good deal remains to be done. Now, the explanation of this continued extraordinary demand for telephone service lies, I think it is quite clear, in two factors. One is the extraordinary increase in the population of British Columbia and the second one is, which I am sure it is not necessary to emphasize with this committee, the unprecedented economic development and expansion of the province of British Columbia in the last five or ten years. Now, I do not propose, Mr. Chairman, to burden the committee with population statistics but I would like to say that in the ten-year period from 1940 to 1950, taking it in June of each year which I believe is the Bureau of Statistics date, the average population for all the provinces including Newfoundland was 21.7 per cent—21.7 per cent. Now, that of British Columbia for that same period.

Mr. MURPHY: That is the increase you are speaking about?

The WITNESS: Yes, that is the increase. 21.7 per cent increase. Now, that of British Columbia for the same period, 1940 to 1950 was 41.4 per cent, 41.4 per cent as against the average for all of Canada, including Newfoundland, of 21.7 per cent. That is the first factor which we have to face in connection with the provision of telephones. Now, on the economic development I do not think it is necessary too, as I said, to go into that in detail with this committee. It is recognized in the past ten years there has been a tremendous expansion in British Columbia, and an economic expansion which is still continuing and about which Mr. Farrell will give figures, if the committee desires, later on. But the result is this company, which is operating 90 per cent of the telephones in use in the province of British Columbia today, must expand and enlarge that five-year expansion, the postwar program, which it drew up in 1947. Now, in the next three years, that is 1951, including the present, 1952, and 1953, this new program of the company calls for expenditures of approximately \$35 million. When we were before the Senate committee that figure was given as \$33 million. It is now approximately \$35 million. That is more than \$10 million a year. Now, those estimates are based on the 1950 cost levels which were the firm cost levels at the time. This application was prepared on the basis of the 1951 cost level. We will have at least 20 per cent more to add to those figures which I have just given you. On the basis of the present demand, Mr. Chairman, and the economic development of British Columbia, it was estimated, and we think it was reasonably estimated, that the company's capital expenditures would average about \$10 million per year for the next ten years. That is a total of \$100 million. Now, that estimate was prepared on the basis of the 1950 cost levels; on the basis of the existing cost levels, our 1951 cost levels, so far and as we can take them in effect today, that is a 20 per cent increase, and the amount of \$100 million will last us between seven and eight years. That is, on that basis, making no provision whatever for any increase there may be again in the cost of materials not only in the years 1952 and 1953 but whatever might happen after that which is difficult to foretell.

Of the \$100 million which the company estimates will be its minimum, or \$120 million, the present proposal is that \$50 million of that will be available from capital stock, that is the \$50 million for which this application is made, and \$50 million of it would be available from bonds or other forms of securities of different types. May I make two comments, Mr. Chairman, on that. One of the honourable members points out the percentage for which the application is made, an increase of 200 per cent. I would just like to make two brief comments on that. In 1948 the largest telephone company in Canada serving largely the provinces of Ontario and Quebec, applied to parliament and was granted an increase in authorized capital of 230 per cent or $3\frac{1}{3}$ times its capital. With

authorization from parliament it increased its authorized capital from \$150 million to \$500 million. That was in 1948. The population increase of the province of Ontario according to the same source for the same period 1940 to 1950 was 20·4 per cent. That of Quebec for that same period was 21·3 per cent. That company serves very largely those two provinces. Now, the population increase of British Columbia as I have already mentioned, Mr. Chairman, as against 20·4 and the 21·3 is 41·4 per cent, so that with that population increase and no evidence that it is going to decrease, the British Columbia Telephone Company is asking not a 230 per cent increase as was asked by the other company but is asking a 200 per cent increase or, as has been mentioned by the honourable member, three times its present authorized capital as against three and a half times the amount which parliament has already granted to the other large companies. There is just one other point, Mr. Chairman, that I would like to mention and I do not think I need to dwell on it, and that is the fact that more and more in this country and certainly in British Columbia a telephone is being looked upon as a necessity rather than as a luxury. Now, it is for those reasons that the company is asking for this authorized increase to \$75 million. That is a sum which the company estimates, and we think reasonably estimates, it will need to meet requirements of the company in the foreseeable future, based upon its own experience in the past and the best estimate it can make of the population trends and the economic developments facing us in the province of British Columbia. Just one other point and then I will close, Mr. Chairman, and it is this. I would like to point out that when we ask for an increase of authorized capital it does not mean that we are at liberty to go and issue that capital stock at will. As the members of this committee know, this bill provides—and it has been in the charter of the company as it has in that of all other telephone companies—that no issue of stock can be made without the authority and approval as to the rate and all the various terms of that stock. So that the fact that parliament might see fit to grant us an increase in capital it does not mean that we can issue that capital, any part of that capital without reference to the Board of Transport Commissioners in whose control are the complete terms relating to the issue of that capital.

The CHAIRMAN: Mr. Lett, for the benefit of the members of the committee who are not from British Columbia, what percentage of British Columbia did you say your company covers?

The WITNESS: I said, Mr. Chairman, that it provides service for approximately 90 per cent of the telephones of British Columbia. There are, I believe, and Mr. Farrell can correct me on this, some 20 or 30 telephone companies altogether; there are a number of smaller telephone companies in British Columbia serving various parts of the province, but this company is the largest telephone company there and I am told that it serves about 90 per cent of the telephones in British Columbia.

The CHAIRMAN: The balance is covered by smaller companies, is it?

The WITNESS: Yes, sir, smaller companies. The Dominion government also provides service into some parts of British Columbia, as I understand it. There is the Okanagan Telephone Company which serves the Okanagan Valley, and there are a number of other smaller companies, plus the government service.

The CHAIRMAN: What hookup is there with the Bell Telephone Company? It is only a long-distance set up, is it?

The WITNESS: They are members of the Trans-Canada setup. The British Columbia Telephone Company operates in connection with the Trans-Canada telephone system.

The CHAIRMAN: Are there any questions on the part of members of the committee?

Mr. APPLEWHAITE: I would just like to ask Mr. Lett before he concludes—he mentioned that any issue of stock has to be submitted to the Board of Transport Commissioners for their approval as to the terms of sale, commissions and so forth. Would he tell us whether that involves the Board of Transport Commissioners as satisfying themselves that the money is needed and what it is going to be used for and so on.

The WITNESS: Mr. Chairman, if I may speak from experience on that, I have been before the Board of Transport Commissioners on such an application and I can assure you that they like to know, they insist on knowing certainly, the amount, why the money is required, how it is proposed to do that financing, and in my experience they go into it very fully before they authorize any issue or authorize the price at which that issue should be made.

By Mr. MacInnis:

Q. Might I ask Mr. Lett if the Board of Transport Commissioners has ever refused to grant a request made by the telephone company either as to the amount or as to rates?—A. Mr. Chairman, I am afraid I could not answer that question. I know of no case where they refused it. I could not answer that question of the honourable member.

Q. Is it not practically automatic that the Board of Transport Commissioners will grant any requests made to them by the British Columbia Telephone Company because they do not know anything about what the situation in British Columbia is except what they are told by the representatives of the British Columbia Telephone Company?

The CHAIRMAN: I think they would make it their business to find out.

Mr. MACINNIS: I am asking the witness if in his experience that is not true.

The CHAIRMAN: The witness says he does not know.

Mr. MACINNIS: He should know, he represents the company, he appeared before them with the applications. Did they ever refuse any applications that he made?

The CHAIRMAN: That he made?

The WITNESS: Any application that I know of has not been refused. On the second point of Mr. MacInnis, if I may answer, he suggested that the company put the information before them. Actually there is a form to be followed, a requirement. Service of notice of this application has to be made and certainly in the experience of the British Columbia Telephone Company—I do not know what is required of other companies—the city of Vancouver and various parties are served with notice of every application, and it is advertised, I believe, and anyone has the right to go down there and protest the matter.

Mr. FERGUSON: Do you think it has any bearing on the proceedings before this committee that the Board of Transport Commissioners are going to pass on something afterwards? It is a duty placed on this committee to go into details thoroughly and to decide one way or the other on the evidence that will be brought forward in this committee. Our consideration of this will be quite irrespective of any assurances you may make that the Board of Transport Commissioners has to pass on something in connection with this afterwards. As far as their function is concerned, I do not think it has anything to do with the duties of the members of this committee. I do not think anything you say along that line will have any bearing on the subject here today.

Mr. HERRIDGE: Mr. Chairman, I would like to ask for the advantage of all members of the committee and the gentlemen of the press, would you ask the members of the committee to rise when they are speaking? Otherwise, it is just a regular rumble.

The CHAIRMAN: If it is the wish of the committee members will rise. It is usually more informal than that.

Any other questions?

By Mr. Green:

Q. Mr. Lett, is the British Columbia Telephone Company subject to any control by the Public Utilities Commission of the province of British Columbia?—A. Mr. Chairman, as far as I am aware the British Columbia Telephone Company is not subject to the control of the Public Utilities Commission of the province of British Columbia. It is subject to the Board of Transport Commissioners for Canada.

Q. By what provision in its Act does the British Columbia Telephone Company get into the position where it is not subject to the provincial Public Utilities Commission?

Mr. MACDOUGALL: It has a federal charter.

Mr. GREEN: No.

The WITNESS: My understanding of that, Mr. Chairman, is that by its original charter it was declared a work for the general benefit of Canada. If you would look at section (2) of the charter of the company you will find it says:

The works hereby authorized are hereby declared to be for the general advantage of Canada.

Being in that position, with a federal charter, my understanding is that it then became subject to certain provisions of the Railway Act and thereby subject to the jurisdiction of the Board of Transport Commissioners in respect to the reasonableness and so on of rates, and by its own charter it is subject to the jurisdiction of the board in the matter of the issuing of stocks. That appears in subsection (3) of section 6: "The company shall not have power to make any issue, sale, or other disposition of the capital stock or any part thereof without first obtaining the approval of the Board of Transport Commissioners for Canada of the amount, terms, or conditions of such issue, sale, or other disposition of such capital stock."

So, as I understand the situation, being declared a work for the general advantage of Canada and being under the jurisdiction of the Board of Transport Commissioners for Canada it does not fall within the jurisdiction of the Public Utilities Commission of British Columbia.

By Mr. Green:

Q. You are referring to Chapter 66 of the Statutes of 1916 entitled an Act to Incorporate the Western Canada Telephone Company, is that correct?—A. Yes, the one I am reading is chapter 36 of 1940-41.

Q. I have here the original Act which I think is chapter 66 of 1916, and the sections which you claim takes the company away from any control by the Provincial Utilities Commission is this section, which reads:

The works hereby authorized are declared to be for the general advantage of Canada.

That is correct, is it not?—A. That is my understanding of it. There may be some other provision in the Railway Act which brings us within the jurisdiction, I am not sure.

Q. The only check on the company then is the check of the Board of Transport Commissioners and whatever check there may be when the company comes to parliament for an amendment to its charter. Is that correct?—A. The only check in relation to what?

Q. The only bodies which have any check on the operations of the company are the Board of Transport Commissioners and parliament.—A. Yes. The Board of Transport Commissioners is the regulatory body, as I understand it, which has the jurisdiction in regard to rates of this company. Parliament has the jurisdiction as to authorizing capital, so in that sense I would say the answer to the question is yes.

Q. Then you mention the increase in capital which was granted to the Bell Telephone Company in 1948. Do you not think it would be fairer to compare that increase in 1948 which as you said, was from \$150 million to \$500 million with the increase which will have been granted to this company if it gets its request in the present bill plus what this company got in 1947, just one year before the Bell Telephone Company got their authorization. In 1947 the authorized capital of your company was increased from \$11 million to \$25 million and now it is asking for an increase from \$25 million to \$75 million. That in all is an increase of practically seven times. Now, do you not think that it would be more fair to make the comparison starting with the \$11 million than to ignore the fact that this company got an increase of \$14 million in 1947.—A. Mr. Chairman, I certainly have no intention of making an unfair comparison and I think I did mention we had applied in 1947 and had been granted that increase. I think I mentioned that, Mr. Green.

Q. You said that the British Columbia Telephone Company is now asking for an increase of 200 per cent whereas the Bell Telephone Company got an increase of more than 200 per cent. Now, I am suggesting that the fairer comparison would be to include what this company got in 1947 practically just one year before the Bell Telephone Company got theirs.—A. I can see the point of argument, Mr. Green, but I do not know what the previous increase of the Bell Telephone Company was. I do not know how long that was prior to 1950.

The CHAIRMAN: It had not been increased for 25 years.

The WITNESS: Well, on that basis it would be fairer to take that into consideration. It did not mean to be unfair in eliminating it at all, in fact, I have had it in my notes.

By Mr. Green:

Q. Then you mentioned that other small telephone companies operate in British Columbia. You are referring, I presume, to independent companies, those companies which are not affiliated with the British Telephone Company, because I believe there are several small companies which are either its cousins or brothers or are both controlled by the same parent company, is that not right?—A. Yes; Mr. Farrell can give the information on that. There are two or three I think.

Q. For example, Chilliwack Telephones Limited, Kootenay Telephone Company Limited, the Mission Telephone Company Limited, the North-west Telephone Company Ltd., are all companies which are controlled by the same company which controls the British Columbia Telephone Company, are they not?—A. As far as I know, Chilliwack, Mission, Kootenay are three telephone companies which are controlled by the same company.

Q. That is, they are controlled by the Anglo-Canadian Telephone Company?—A. Yes, which did control the British Columbia Telephone Company. The North-west Telephone is, I believe, but I am not sure, a connected company, but whether it is a subsidiary of the Anglo-Canadian, Mr. Farrell can answer that, if it is relevant to the matter.

Q. You say that Anglo did control the British Columbia Telephone Company. What do you mean by that? It still does, does it not?—A. I do not know.

Q. Well, you should be able to find out.

The CHAIRMAN: Probably that question, if it is relevant, could be asked of Mr. Farrell.

The WITNESS: I do not profess to be instructed in all of the details of the company. That is why other witnesses are here today. We will be glad to answer questions relative to this issue. I have the witnesses here.

By Mr. Green:

Q. You brought that on yourself, Mr. Lett, because you said that Anglo-Canadian "did". You used the word "did" instead of the word "does". Does Anglo-Canadian control the British Columbia Telephone Company now? Is there any significance in the use of that word "did"? I think it is admitted, as far as everybody knows, that Anglo does still control the British Columbia Telephone Company.—A. I used the word "did" at the time another application was made, when the Anglo-Canadian Telephone Company was shown to be the principal holder of the common shares. Now, since that time this company has done a considerable amount of financing. I do not know myself if Anglo-Canadian controls the British Columbia Telephone Company but I am sure there are gentlemen here who would be able to answer that question and give you the facts on it.

Q. So as far as you know, then, at least you do not know of any change in control from Anglo-Canadian Telephone Company to the public or some other group, is that right?—A. I would not answer yes or no to that. There has been a change in the number of shares, the number of shareholders of common shares. That, I take it, represents the control of the company.

Q. But the point is, who controls the majority of those shares? My arithmetic makes the Anglo-Canadian still firmly in the saddle, but if they are not I think the committee should know.—A. Mr. Chairman, the member may be right. I am not in a position to say who controls the company. I do not know the number of shares held by Anglo. I can give the total number of shareholders of the common shares.

The CHAIRMAN: It might be interesting information to have but is it relative to the question of increasing the capital of this company?

By Mr. Green:

Q. It certainly is very relevant. I will ask Mr. Farrell that.

You said there had been some shares issued recently. I believe at the time that you first applied for this increase in capital there was some \$5 million capital which had not been issued, is that right?—A. That is correct, yes.

Q. And since your application has been made to parliament you have issued or are in the process of issuing this \$5 million in shares?—A. That \$5 million, I think, has been issued and sold.

Q. And of that \$5 million, \$1 million is in preferred shares and \$4 is in common shares, is that correct?—A. Well, I think that is correct. Mr. Farrell will be able to answer that.

Q. And at what price were these common shares sold to the public? I believe they are of a par value of \$100. At what price have they been sold to the public?—A. Mr. Farrell can answer that, too, Mr. Chairman.

Q. You must know because you applied to the Board of Transport Commissioners for permission to sell them. You must have had to tell the Board of Transport Commissioners at what price you were going to sell them. Now, surely you know at what price these shares were sold to the public?—A. Mr. Chairman, in that particular application I did not apply to the Board of Transport Commissioners. It was other counsel who did that. I did not make that application.

Q. Well, were there any share rights issued in connection with \$4 million in common shares?—A. Mr. Chairman, I am not in a position to answer. It is not that I do not want to answer Mr. Green, but I did not have to do with that application.

Q. Pardon?—A. I did not have to do with that application before the Board of Transport Commissioners. I think I know what they are issued at but I have not the evidence firsthand.

Q. You are the solicitor for the company?—A. Yes.

Q. And these share rights have to be drawn up by some solicitor. Did you work them out?—A. No.

Q. Who did that?—A. When you say I am the solicitor for the company, I am solicitor for the company in this application, and I have done bits of counsel work for them.

Q. Well, Mr. Lett, you have seen the advertisements in the papers, at least, with regard to these share rights and with regard to the price at which these shares were being sold, have you not?—A. Yes, I saw them at the time. I think I saw a copy of the prospectus issued at that time.

Q. There is really no dispute about these terms, about these prices, is there?—A. I am not disputing. You are asking me to give evidence on matters with which I am not familiar. I am perfectly willing to give evidence on matters I am familiar with, on which I can give you facts, but I do not like to be guessing at things on which I have no personal knowledge.

The CHAIRMAN: That seems reasonable. Could not these questions be delayed for Mr. Farrell to answer?

Mr. GREEN: I will ask Mr. Farrell, yes.

By Mr. Green:

Q. You spoke now of the company planning in the future to finance on a basis of 50 per cent by way of share capital and 50 per cent by way of bonds or notes or securities of that type. Am I correct in that statement that you mentioned the proportion of 50-50?—A. I did mention the proportion of 50 per cent stock and 50 per cent bonds or other securities.

Q. In other words, if you wanted to raise \$100 million you would raise \$50 million by way of capital and \$50 million by way of bonds or notes? That is now the plan of the company?—A. That, as I understand it, is the plan at the present time, to get on a 50-50 basis.

Q. Well, Mr. Lett, that is a very drastic change from the plan which the company has followed in the past, is it not?—A. It differs very materially from the ratio which the company has had in the past.

Q. What has the ratio been in the past?—A. Well, there again I do not know the exact ratio. There are two witnesses here who will be glad to give you that information. It varies, Mr. Green, over a period.

Q. I have here the annual report of the company for 1950. I have no doubt you have seen that. At that time the ratio, as I make it, was about 38·3 per cent capital and 61·7 per cent bonds and securities of that type. This is the company's last annual statement. Now, that would make it certainly a 40-60 ratio; in other words, it was not a greater percentage of capital than 40 per cent to 60 per cent bonds and so forth, is that correct?—A. I would accept your arithmetic in the matter, certainly. The actual ratio from time to time through the period of 1947, 1948, 1949, and 1950, I think they followed—there are certain provisions in the terms of preference regarding the limits of stock, but what the ratios were I do not know. I will be willing to accept Mr. Green's figures subject to correction.

Q. In recent years, I do not think I am being unfair when I say in recent years, the ratio would be approximately 40 per cent raised by capital and 60 per cent raised by bonds, so that if that same ratio were followed by the

company during these next years about which you have spoken, then for every \$40 you raised by way of capital you could raise \$60 by way of bonds or similar securities.—A. If that ratio could be maintained I assume you could do that. Whether you could keep that ratio and still sell your securities is another matter.

Q. You have not had any trouble in selling your securities yet?—A. I could not answer that either.

Q. You have paid 8 per cent on the common shares?—A. They have paid \$8 on the common shares for a number of years.

Q. Practically all those shares were held by Anglo-Canadian, and I would guess they did not pay more than \$100 a share for them.—A. That I could not answer.

Q. In any event, the dividend on the common shares is still 8 per cent?—A. No, not 8 per cent. The dividend on the common shares has been \$8 a share.

Q. The shares are of a par value of \$100?—A. The shares have a par value of \$100, but the issue price of those shares as approved by the Board of Transport Commissioners is not \$100.

Q. What is it?—A. I think it was \$132.50.

Q. Why did you not say that before?—A. Because you asked me what the dividend rate was. I am not trying to hedge on it at all. The witnesses are here who will give you the facts.

Q. We know that the authorized issue price was \$132.50 and we also know that there were share rights sold for another \$8 and some cents.—A. I think there were but I am not competent to answer that.

Q. And most of those share rights would go to Anglo-Canadian as they held most of the common shares. Is that not right?—A. I do not know, Mr. Green. At that time I understand they did hold most of the common shares—at that time.

Q. The public had to pay \$140 and some cents for each of these \$100 shares, just a few weeks ago.—A. I have an idea it was \$139 and some cents. I do not know what the actual price was.

Q. In any event the company is now planning to change from its 40-60 basis to a 50-50 basis. In other words, 50 per cent by capital and 50 per cent by securities.—A. My instructions are that that is the basis they are endeavouring to reach.

Q. Of course, you know, Mr. Lett, that that has a serious effect on the people who pay the phone bills because on this bonded indebtedness the interest that is paid on the bonds is an expense not subject to corporation taxes whereas dividends paid on the common shares are paid subject to the corporation tax. Now, that would make a difference to the rate payer telephone users in British Columbia.—A. Very definitely. It makes a very definite difference to the company and to the subscriber as to the type of security and the cost of that money, whether it is bond money or share money, but, of course, there is a limit to the amount of bond money that one can raise.

Q. If this plan of the company of putting the financing on a 50-50 basis is followed, then the phone users will have to pay higher rates because you will apply to the Board of Transport Commissioners to be allowed to show the extent to which your costs have been increased by paying these dividends, as an expense which should be met by the phone rates.—A. Well, Mr. Chairman, I am not competent to answer that question. I am not a rate expert. I do not know whether that will follow. It might, but there may be other factors.

Mr. HERRIDGE: Mr. Chairman, I would like to ask a question of the witness. I must say the gentleman representing the company as counsel is performing his duty in a very able manner, and I want to compliment the company on engaging excellent counsel for presenting their case.

I am particularly interested in all people who need telephone service in British Columbia and more particularly people in Kootenay West needing service. I want to ask Mr. Lett this question: Would he say that the company, in view of present legislation and its operations in British Columbia, has in effect what could be considered a monopoly of telephone service over the area that it serves.

Mr. FULTON: Have you been instructed on that?

The WITNESS: That is a difficult point, Mr. Chairman. The company is the largest telephone company operating in British Columbia and as I said serves approximately 90 per cent of the telephones in use in British Columbia. If that constitutes a monopoly then the company has a monopoly to that extent but I am not in a position to say whether the company is a monopoly in British Columbia. I certainly know there are other telephone companies in that area.

By Mr. Herridge:

Q. For instance, in my district your company serves the greatest part of the district. It has a monopoly in virtue of the fact that no other company can operate and serve smaller places. In other words no service can be rendered to these smaller places unless it is given by your company.—A. Well, I could not answer that, Mr. Chairman, I am not competent to answer whether it is a monopoly or not. Certainly, in certain areas it is the only one in the district. In other areas there are others, but if in the district it is the only one that is operating then it constitutes a monopoly in that district.

Q. I think the committee will agree that by virtue of the service it gives in the greater part of the district where it is profitable to give service, it is a monopoly, because no other company could give service to the smaller communities because these smaller communities would have to be served at a loss. I am very interested in the smaller districts. I recognize the improved service your company has given in the interior in recent years and I give the company credit for that, but we have a number of smaller districts that are not receiving good service, important districts, and we have a number of districts receiving no service at all. Some of these districts have, through organizations of representative people, asked for improved service or where service did not exist for an installation of a telephone service. Would the witness tell me in cases where the company refuses to improve or extend service to any district asked for by representatives of responsible organizations, what authority in British Columbia or in Canada can compel the company to install that improved service or to extend their service?—A. I do not know whether the Board of Transport Commissioners has power to compel a company to provide service to a community or not. I do not know of any body in British Columbia which has the authority to compel this company to give service.

Q. Mr. Chairman, just one more question. Would the witness say in his opinion a public utility such as a telephone company should come under some form of public control similar to the control exercised over power companies, which come under the control of the Public Utilities Commission, in order to protect the public?—A. Mr. Chairman, as counsel for the company I do not like to be expressing opinions on which experts disagree but I would point out as a matter of fact, not as a matter of opinion, that telephone companies in British Columbia such as the smaller companies that are there are subject, the same as power companies are, to the control of the Public Utilities Commission of British Columbia as to their rates and so on. This company is not, as I have said. It is subject to the Board of Transport Commissioners. Now, whether it should be or not is a matter on which I have no opinion.

Q. Would the witness say that in this case of incorporation by federal charter it works out for the general advantage of the company as well as for the general advantage of Canada?—A. Is that a question to me?

Q. Yes.—A. I could not answer that. I do not know whether it is to the general advantage of the company or not. It comes under a regulatory body here which governs its operation.

The CHAIRMAN: I find that there are questions being asked of the witness that I think properly should come before the solicitor for the Board of Transport Commissioners. I would suggest that you confine your questions to the witness in a reasonable way so that he can be expected to answer. If members desire to ask these general questions I think we should arrange at our next sitting to have the solicitor of the Board of Transport Commissioners in attendance.

Are there any other questions now?

By Mr. Laing:

Q. I would like to ask Mr. Lett a couple of questions, and they will not be questions having to do with wife beating. I would like to know the number of telephones at present in service. I think it is a quarter of a million. Is that correct? Let us go back to 1947 when the capitalization of the company was \$11 million. I rather assume from the figure that he gave us of new installations in the five-year period between 1946 and 1950, of 83,351, that there were about 165,000 phones in operation in 1946. Mr. Lett has indicated that this application is an application for a capital increase for what he describes as the foreseeable future. I would like if he could give us more explicit details as to what he considers the foreseeable future and what will be the result of the \$100 million or \$120 million expenditures contemplated in the next ten years? He gave us an indication that, as of April 30th some 23,000 unfilled applications are on hand. If this contemplated expenditure can be explicitly foreseen, might I ask what the contemplated installations, new installations and increases in the same period would be? I assume there is some projection of that as well as projection of contemplated expenditure. Can these two be related?—A. Mr. Chairman, I cannot answer that. Mr. Farrell in dealing with the plans could probably give you that information as to how fast that backlog can be taken up but I have not information on that point.

By Mr. Ferguson:

Q. First of all I would say that questions asked by the committee should not be described as questions about beating wives. I think everybody is entitled to ask questions if they want information, with the motive in mind to extract information that will be beneficial to the people of Canada and particularly to the people of the province of British Columbia. You will probably take this before the Board of Transport Commissioners with a request for an increase in authorized capital. You will probably be the solicitor?—A. I would not know; I would not answer that.

Q. Well, I will say you are a good witness. I do not know about counsel but you are well trained as a witness. I can see that through your experience as counsel you have turned out to be a good witness.—A. May I say that this is only the second time in my life I have ever been a witness. I am usually counsel.

Q. You have witnessed much litigation and many witnesses.

The Anglo-Canadian Company on this increase in stock will receive so many shares corresponding to the shares they now own. Is that right—they

will receive rights?—A. You are speaking of stocks that may be issued in the future?

Q. That may be issued to increase your capitalization.—A. I do not know what might happen in the future.

Q. You do not think the present stockholders will receive any rights, the present stockholders including the Anglo-Canadian? Will they not receive rights?—A. On future issues?

Q. No, on this particular issue.—A. Mr. Chairman, perhaps I did not make it clear to the honourable member, this is an application for an increase of authorized capital. There is no application at the present time to my knowledge for the issue of any of this stock. All of the authorized capital of the company has now been issued.

Q. The motive of your company in asking for this increase is so that you will be in a position to issue stocks and bonds. Is that right or wrong?—A. That is not quite right.

Q. Well, how far off the mark is it?—A. We are asking here for additional authorized capital which over a period will become issued capital.

Q. But what is the motive? The motive is to secure authorization to issue stock, is that right or wrong?—A. The first part is right, but the second is wrong.

Q. Then you do not intend to issue any stock or bonds?—A. Oh, yes. I have no doubt that they intend within the course of ten years to issue all of this stock, but this application is in connection with authorization for stock. A further application would have to be made to issue the stock.

Q. But the motive in obtaining this authorization is to later ask for authorization to issue further stock?—A. That is correct.

Q. That is all right. That is one way to get around it. That is the answer to my question. Now, the Anglo-Canadian Company will receive so many shares on the basis of the amount of stock they now hold. Is that right?—A. I do not know.

Q. Does the company intend to make fish of one and fowl of another?—A. Mr. Chairman, it is quite customary as I understand it in public utilities financing to issue rights to existing shareholders. Whether that will be the method of financing in any particular issue is a matter which the directors and management and the financial people decide. I do not know whether that will happen or not.

Q. As far as we are concerned we are being asked to authorize an increase in capital stock. Now, I want to know if the Anglo-Canadian Company is going to be given rights to any of the stock? As far as your evidence is concerned, we cannot get the motive for wanting this increase. Who is going to receive rights from you. Do you know that? Is Anglo-Canadian going to receive rights from your company?—A. Mr. Chairman, I do not know whether any rights will be issued.

Q. The answer is you do not know this. Is that right?—A. The answer is I do not know what rights will be given on future issues of stocks.

The CHAIRMAN: Order, gentlemen. I think that questions are being asked of the witness on subjects with which he is not familiar. He is the solicitor of the company and you as head of a company, Mr. Ferguson, know that your company can make decisions and ask your solicitor to carry them out. I think these questions would properly come before the president of the company and if we are through with the general outline as covered by Mr. Lett in a very able way, I would say that, if it is the wish of the committee, I will call on Mr. Farrell the president of the company.

Mr. FERGUSON: If he did not know he could have said he did not know, and I would not have gone any further.

By Mr. Fulton:

Q. May I ask Mr. Lett if the Board of Transport Commissioners ever, to your knowledge, required an improvement or extension of service from the company?—A. Not to my knowledge, no.

Q. Are you in a position to say, as solicitor for the company, whether or not they have the power to make such a requirement. I will confine it to this: if you are before them with an application for an increase in rates or for authority to issue stocks would you care to express the opinion as to whether or not they have in the course of that application the power to attach conditions with respect to improvements or extensions of service, as a condition of granting the application.—A. I would not care to express an opinion. The chairman suggested that the solicitor for the Board of Transport Commissioners would be the proper person to answer such a question.

Mr. STUART: I have got the impression from the discussion that has taken place here that in British Columbia the Public Utilities Commission has no control over the telephone company, that the only control over the telephone companies is that of the Board of Transport Commissioners. Can the witness give an idea as to the rates in British Columbia, on telephones, as compared with other provinces in Canada, under similar conditions. I know there are different kinds of telephones, business phones, residence phones and so forth, in towns and cities and so on. I want to know how the rates in British Columbia, which are apparently controlled by the Board of Transport Commissioners, compare with the telephone rates in the other provinces.

The WITNESS: I would not attempt to answer, Mr. Chairman, I do not know.

By Mr. Herridge:

Q. I would just like to ask one more question. When replying to Mr. Ferguson, Mr. Lett said the company intends in the next eight or ten years to issue all this stock. Does he mean by that that \$50 million increase in capital will not be issued before the next ten years?—A. My recollection is that in answering the honourable member I said the company may issue the whole of the stock within the next seven or eight or ten years.

Q. My point then is: is it necessary to ask for a \$50 million increase if that \$50 million will cover a period of eight or ten years?

The CHAIRMAN: I think he said that probably on the basis of 1951 costs or higher it would last perhaps seven or eight years.

By Mr. Herridge:

Q. No, I think the witness has said the company intends in the next eight or ten years to issue all of the stock?—A. I do not think I said that. With respect, my thought was the company may issue the whole of it. I was asked if this was an application to issue this stock and I was pointing out it was not application for issue. Then I was asked if the company was not going to issue the stock, and my reply was that the company may issue the whole of the stock in the next seven or eight or ten years.

Q. My point is whether this \$50 million can take care of the company's developments for eight or ten years?—A. I would not think so. The proper man to answer is Mr. Farrell, or one of the operating people. You are leaving out the question of bonds and the method of financing altogether.

By Mr. Shaw:

Q. The witness has indicated that since April 1st, 1951 the company has had 23,000 unfilled orders. Does that represent communities presently served by

the company or does it represent communities such as referred to by Mr. Herridge which are not now being served?—A. I could not answer that. There are just so many unfilled applications and what the breakdown is I do not know.

Q. Possibly we could get that later.

By Mr. Byrne:

Q. The question of the Bell Telephone has been brought in for comparative purposes to show where precedent has been established for the granting of a 230 per cent increase. There is some confusion, following Mr. Green's question, as to what the ratio is going back to the 1947 application, and I would like to have that verified for the record. Also, you have made some study of the Bell Telephone finances. It has been said that they had not made an application for a capitalization increase in twenty-five years. How did they manage to finance for that length of time with all their huge development in Ontario and Quebec—without making such an application? I would like to have that clarified too?—A. I cannot answer that either. I do not know enough about the Bell Telephone Company. Mr. Farrell may be able to throw some light on it. The statement in regard to the twenty-five years was made by the chairman and not by myself.

By Mr. Browne:

Q. May I ask some questions? What increase in the preference stocks are you looking for?—A. I do not quite understand the question.

Q. Do you not? How much preference stock has the company now?—A. The company has outstanding as at May 31st, 1951, \$13 million.

Q. How much?—A. \$13 million of preference and preferred shares.

Q. How much authorized stock has the company which it could issue?—A. The company had a total authorized capital of \$25 million.

Q. You mean in preference stocks?—A. No, you asked me for the total authorized capital.

Q. Yes, but including preference and preferred stocks what was the total amount authorized that could be issued?—A. Parliament does not give this company authorization in the form of preference, and preferred, or common, it gives it authorization in the form of stock, some portion of which may be issued as preference or preferred stock.

Q. Well, do you know the answer to the question. How much preference and how much preferred stock was this company authorized to issue?—A. No, I cannot answer that question because I do not think the question is applicable.

Q. Well, that is another point—whether you think it is applicable—do you know how much was authorized to be issued?—A. There was a total of \$25 million worth of shares. That was the authorized capital. The Act does not break it down into authorized, preference or authorized ordinary shares.

Q. I see, that is the total. It is not \$25 million of each?—A. No, no, the total capital is \$25 million under the statute.

Q. Is that preference or preferred?—A. It is not broken down into preference or preferred. The total authorized capital is \$25 million. Some of it is issued as preference, some preferred, and some ordinary.

Q. How much has been issued in ordinary shares?—A. As of the 31st of May, 1951, 120,000 ordinary shares have been issued—which is \$12 million.

Q. What date?—A. As of May 31st, 1951.

Q. Now, as of the 31st of December, 1950 what was the figure?—A. As of the 31st of December, 1950, there was \$12 million of preference and preferred and \$8 million ordinary shares—of \$100 each.

Q. That was \$20 million altogether?—A. That is correct.

Q. It was increased, then by May 31st to how much?—A. There have been further issues of \$5 million worth of stock.

Q. And how much common stock was issued between January 1st and May 31st of this year?—A. The figures at December 31st were \$8 million common, and at May 31st \$12 million—that is a difference of \$4 million.

Q. Who took up that \$4 million?—A. Well, I could perhaps give you that. The total number of ordinary shareholders as at May 31st is 2,658.

Q. What was the number at December 31st?—A. I am sorry, I will have to get that figure for you. I think it was approximately 1,100—but that is just a guess.

Q. When you spoke of the Anglo-Canadian Telephone Company controlling the B.C. Telephone Company, is it not a fact that the Anglo-Canadian Telephone Company owned almost 100 per cent of the common shares?—A. There was a time when, as I explained to Mr. Green, that I understand that Anglo-Canadian Telephone Company was practically the sole shareholder of the ordinary shares of the capital stock of this company.

Q. How much did they hold?—A. That question was asked me but I did not know the answer.

Q. How much?—A. I do not know the answer. I do not know how many shares they held although the total shareholders are here; but I have not got it broken down.

Q. Do you know the percentage? You have the number of shareholders but it does not matter how many shareholders there are if they only hold one or two shares each. The Anglo-Canadian Telephone Company substantially holds most of the stock does it not?—A. That is what Mr. Green suggested.

The CHAIRMAN: Why not let Mr. Farrell tell you that?

By Mr. Browne:

Q. Well, the authorized capital is now \$25 million. Is that completely issued?—A. That is all issued now, yes.

Q. Well, I have here Moody's Investment Annual with the statement for the British Columbia Telephone Company and the Anglo Canadian Telephone Company. According to their statement Anglo-Canadian Telephone Company controls 59,998 shares out of 60,000. It is their latest report and there were only two common shares held by anybody else.—A. What date would that be?

Q. 1950?—A. Based on what annual report?

Q. Based on the report for 1949? Now here is another question I want to ask you. It states here authorized, all classes—\$25 million?—A. That is what is authorized, yes.

Q. 6 $\frac{3}{4}$ per cent cumulative preference authorized, all classes, \$25 million. You mean to say that covers preferred and preference?—A. That \$25 million is the total stock authorized. It includes preference, preferred and ordinary shares.

Q. Under British Columbia Telephone Company 4 $\frac{3}{4}$ per cent cumulative redeemable par value \$100, there are 35,000 shares authorized?—A. Obviously those figures are not up to date. The figures which I have put on record are correct—and I would be glad to give them again as of the 31st of May.

By Mr. Hodgson:

Q. In 1947 your capitalization was \$11 million. Then you had it increased to \$25 million—was that at the end of 1947?—A. We increased from \$11 million, that is correct, to \$25 million in 1947.

Q. Would you tell the committee how the division was made of the increase from \$11 million to \$25 million at that time? How was the division in your stock made?—A. You mean the division as between preferred and common?

Q. Yes, when you got the increase from \$11 million to \$25 million in 1947?—A. Well, Mr. Chairman, that division takes place as and when the stock is issued.

The company decides how much common and how much preferred will be issued. I do not know what the division was on each application. Mr. Farrell or one of the others can give you that information.

Mr. FULTON: Could you give the net result or the end result?

The WITNESS: Yes, the end result is that we now have \$1 million 6 per cent preference shares; \$4½ million preferred shares of 6 per cent; \$7½ million of 4¾ redeemable preferred shares. At one time in 1950 they had \$8 million ordinary shares—80,000 shares, but as of May 31st they have \$12 million of ordinary shares.

Mr. GREEN: Only the holders of the ordinary shares have a vote?

The WITNESS: Except that I think the provisions in the various terms of preference are uniform in this respect. When dividends are in arrears then the holders of preferred shares acquire certain voting rights on matters affecting the terms and privileges of their shares.

The CHAIRMAN: How long would they have to be in arrears? If you have not got that we can get it again?

The WITNESS: I do not even know if they have to be in arrears.

Mr. HODGSON: Can you tell us how Anglo-Canadian figured in the division at that time?

The WITNESS: At what time?

Mr. HODGSON: At the time you got the increase in 1947?

Mr. FERGUSON: How much stock did they receive?

The WITNESS: I do not know. You see, we did not issue it immediately in 1947. Subsequent to coming to parliament application was made to the Board of Transport Commissioners. What Anglo-Canadian got or what they took I do not know.

By Mr. Hodgson:

Q. You made some comparisons, I believe, between the Bell Telephone Company and your company as to rates. You cannot give it to us now, I understand, but could you get for the next meeting the rates of the Bell Telephone Company in comparison with yours, both rural and urban?—A. Mr. Chairman, I will endeavour to get any information which the committee desires—that the committee feels is relevant to the application. If we can get comparable rates and the committee feels that is a matter of necessary information, we will do our best to get what information we can.

Q. Can you tell me if there have been any of the profits of this company turned back into construction or assets of the company?—A. Well, I would rather let Mr. Farrell answer that question.

The CHAIRMAN: Any company that does not do that ought to have their heads examined.

By Mr. Fulton:

Q. So that we may keep it all on the record in one place, I would like to ask Mr. Lett to give us a breakdown of the various types of preference shares now outstanding, and the interest rate which they carry, and whether or not they are non-redeemable?—A. I can give part of that at least, Mr. Chairman. As of May 31, 1951, the issued capital was 10,000 six per cent preference shares of \$100 each—that is a total of \$1 million. There were 45,000 six per cent preferred shares of \$100 each.

Q. 4½ million?—A. Yes.

Q. Yes?—A. And 75,000, or \$7,500,000 of 4¾ per cent redeemable preferred shares—\$100 each.

Q. Of the first two categories, the six per cent preference and the six per cent preferred, are they redeemable or non-redeemable?—A. That I do not know.

Q. Would anyone?—A. Yes, Mr. Farrell can give the answer. My understanding is that they can be redeemed but that they can be redeemed only by way of a reduction of capital. I have never had occasion to go into that, but I think Mr. Farrell would be able to give the answer.

Q. Do all three classes carry a fixed cumulative rate of dividend?—A. Now, if I may read from the terms of reference here which I have before me in the prospectus issued and dated sometime in May, 1951:

The description of respective voting rights, preferences, conversion and exchange rights, rights to dividends, profits or capital of each class of shares, including redemption rights, and rights on liquidation or distribution of capital assets is as follows:

"The resolution of shareholders creating the ten thousand 6 per cent cumulative preference shares provides as follows:" . . .and I am quoting:

"That the company be and is hereby authorized to create and issue 10,000 cumulative preference shares of \$100 each. The said cumulative preference shares shall carry a fixed cumulative preferential dividend at the rate of six per cent per annum on the capital on the time being paid up thereon . . ."

I think that answers your question. That one is cumulative according to these instructions.

Then the resolution covering the 45,000 preferred shares reads as follows:

That the directors be authorized to issue capital of the company to the extent of \$4,500,000 as preferred stock in addition but subordinate to the \$1 million of preference stock already authorized by resolution of the ordinary shareholders of the company of 2nd September, 1922, and that such stock be issued in the form of six per cent cumulative preferred shares of \$100 each—

And I think that answers your question on that.

Reading again from page 7 of the prospectus:

A summary of the principal rights, privileges and restrictions attaching to the $4\frac{3}{4}$ per cent cumulative redeemable preferred shares is as follows—that is the preferred class, and I shall read line 1 of the paragraph which says:

The $4\frac{3}{4}$ per cent cumulative preferred shares shall carry a fixed cumulative preferred dividend fixed at the rate of $4\frac{3}{4}$ per cent per annum.

So, all three classes are cumulative.

Q. So you have in effect \$5,500,000 preference and preferred shares of the first two classes which carry a fixed cumulative rate of dividend of six per cent?—A. That is correct.

Q. The \$7,500,000 total par value shares carry a cumulative dividend of $4\frac{3}{4}$ per cent?—A. That is correct as far as I know.

Q. Now, Mr. Chairman, I do not wish to go into the detail of the bill so I would ask at this point, whether when we come to consider the bill it may be possible if necessary or desirable to recall the witness? If so, I will not need to go into further detail now.

The CHAIRMAN: All right. At this point we will call Mr. Farrell. We seem to have covered the ground fairly well and Mr. Farrell can answer some of the questions in the minds of some of the members of the committee. Mr. Farrell is the president of the British Columbia Telephone Company and no doubt can

answer many questions which have cropped up in connection with the structure of the company and related items.

Do you wish to make a brief statement, Mr. Farrell.

Mr. Gordon Farrell, President, British Columbia Telephone Company, called:

The WITNESS: Just before answering any questions I would like to go through a few things which have happened in British Columbia since we put forward our application for an increase in the authorized capital.

The enormous growth in our province is almost staggering and sometimes alarming.

The Aluminum Company have announced a project in which they say they will spend \$500 million, which will undoubtedly be a project that will develop a townsite of from 10,000 to 20,000 people. While it is not in our definite area we certainly would be the ones called upon to give service to that area as soon as it is established. In any case, there will be a tremendous lot of long distance required in the meantime by the construction people and we will have to take care of that.

There is the Elk Falls Paper and Pulp Company at Duncan Bay, which is going to spend another \$30 million—which will mean an additional community in the Campbell River area.

The H. R. MacMillan Company are doubling their sulphate plant by a process of spending \$19 million—at least they hope it will only be that much.

We have the oil and gas pipe lines which everybody has heard a good deal about—

Mr. GREEN: We hope we are going to get it.

The WITNESS: Undoubtedly they will come down through British Columbia and they will want service, and we will have to take care of them.

There are various considerable estimates in the minds of the Defence Department which have to be taken care of by ourselves. Consolidated Mining and Smelting Company have announced since the first of the year a program of \$60 million in various projects in their territory—which will mean more people and more telephones required.

Mr. Lett has dealt with the question of the depreciated dollar which now buys about 20 per cent or less equipment, and while our estimates at that time did look forward to this \$50 million of capital running for about ten years, we definitely have underestimated our requirements. On a ten year basis, we feel now that we probably should have asked for \$100 million capital rather than \$75 million.

That is all I have to say about the additional development since this application was put forward in January.

The CHAIRMAN: Are there any questions at this point gentlemen?

By Mr. Fulton:

Q. May I ask Mr. Farrell a question with reference to the statement made that you have approximately 23,000 actual applications for telephones unfilled as of April 30. Are you in a position, Mr. Farrell, to tell the committee what improvements and extensions of service, apart from those actual installations and the necessary lines necessitated if any by the installations—the major ones I mean—have to be paid out of this present increase in capital for which you are asking authority?—A. It is a little difficult to break that down, Mr. Fulton. We are endeavouring to be impartial in our expenditures all over British Columbia and to try and take care of the growth and backlog in proportion to each area. We are spending money in every area. We are trying to spend it in

proportion until we get caught up in relation to the backlog and demand. The major portion of course is spent in the larger areas, but not any greater percentage in proportion.

Q. I was not seeking to start a quarrel as between various areas of British Columbia or anything of that sort, but I was wondering if you have any agreed projected extensions or improvements at the moment of which you can tell us; or is this just a general estimate that to meet your requirements you will require \$100 million? Is that just based on past experience, or are you able to say that we have such and such a project here which will take so much, and another proposal there which will take so much? Can you give us an outline of that sort? If you cannot I will quite appreciate why, but I wonder if you can do that?—A. I cannot offhand, but we could get that for you. Mr. Hamilton our operating vice-president is familiar with all the operating details and he certainly could get a breakdown if you are interested. I have a general breakdown if that is of service. I have a breakdown as at the end of 1950.

Q. Yes?—A. And we have a 1951 program which of course is additional. We have buildings, \$755,000; central office equipment, \$3,300,000—I am leaving out the odd dollars.

Q. Yes?—A. Outside plant—that is cable plant and toll lines—\$2½ million; substation equipment and private branch exchange equipment, \$217,000; toll line plant and equipment, \$1,900,000. That totals up to approximately \$8,700,000. Our program this year, including that, is \$625,000 for buildings—

Mr. GREEN: Which year was that you have just given? For what year was that?

The WITNESS: These are present commitments left over from 1950—to which we committed ourselves in 1950, and that were left over from the 1950 program. We make up our estimates from year to year but there is always an overlap.

These are all based, I might say, on the basis of 1950 prices: buildings, \$625,000; central office equipment, \$7,300,000; outside plant, \$1,200,000; substation and private branch exchange equipment, \$2,100,000; toll plant and equipment, \$710,000; making a total of approximately \$12 million.

By Mr. Fulton:

Q. I would take it Mr. Farrell, from the form of your answer that your program for future development is not broken down by areas which you could give us, but it appears rather in the way of types of equipment on which you are spending money?—A. We will have every detail if you are interested, Mr. Fulton, but we have not got it just before us. I might have to get it from Vancouver.

Q. Please do not misunderstand, I am not asking for great detail, I am simply wondering whether you are in a position to tell us that you have a program of extension in the Kootenays for a certain area which is going to cost you so much, or is anticipated to cost you so much; or that you have undertaken to extend up the North Thompson Valley which will cost you so much—I wonder whether you are in a position to give that sort of information? If you are not, I will be satisfied.—A. I am not in a position to do so, but Mr. Hamilton can get it for you if he has not it already. I do not think he has it with him right now, but we can get it.

Q. I think it would be interesting and useful, so that we might know what is the actual outline of the program you have in mind for which you are asking this authority to increase your capitalization.—A. We will be very glad to try and get it for you.

Q. Thank you, and then could you also tell us at that time whether or not you contemplate extending your services in such a way as to take over some of the services presently being operated by the dominion government telephone

service.—A. Well, that is a very difficult question, Mr. Fulton. We are always looking to take over parts of the dominion government service but we have not been successful in the last few years.

Q. When you say you have not been successful, Mr. Farrell, what do you mean?—A. They prefer as a matter of policy to operate them by themselves but I understand they are sending out one of their top flight men to go over all the British Columbia situation this summer with the idea of asking us to take over certain parts of it.

Q. Are you in a position at the moment to reveal the plans?—A. We have not any idea what they have in mind but they are going to make a study of it with our people and go into the whole matter.

Q. May I ask you then—it is a very general question I appreciate—have you under contemplation a program of extension of service from the point of view of development and opening up new services, new areas, or are you restricted in your approach to that entirely in the future to those areas in which you can foresee a profit at the time at which you take over such service.—A. Oh, no, we have been restricted in going into areas which would require a large additional expenditure for a small number of stations in these times because we must stretch our equipment to the absolute limit. That has been the difficulty up to now but when we catch up we will do as we did in the past, go into every part that it is reasonable to go into in our territory, that is, contiguous to our territory.

Q. Just to be sure, I understand the meaning of your answer is that at the present time owing to the difficulty of obtaining equipment you have not been able to undertake any development unless it was in connection with an existing service that would produce a return on the expenditure.—A. Not necessarily. My point is we try to use our equipment to the best availability and when we go into an area and put a long pole line in to serve some sparsely settled areas it takes a big capital expenditure for a small number of people and it takes a lot of equipment which used in another way would be of greater advantage, and we have followed that policy up to now.

Q. You do intend, however, if and when you receive this authorization you intend and anticipate that you will be able to undertake more developments in opening up areas not presently served. Do I understand that is your answer?—A. As soon as equipment becomes available.

Q. It was in the light of that particularly that I was asking for this information in my earlier question and that Mr. Hamilton is trying to get.

With regard to preference shares could you tell us whether the first two classes referred to, both of which carry a six per cent rate, are redeemable or not redeemable?—A. I think Mr. Lett answered that they are redeemable but only by a reduction of capital. They are not redeemable, as the four and three-quarter per cent might be, by simply calling. We would lose that number of shares if they are redeemed.

By Mr. Ferguson:

Q. Did I understand rightly when it was said that there is a 20 per cent reduction in the value of your dollar when purchasing material?—A. Since the first of this year.

Q. Even since the first of the year. It is the same with most commodities we are buying throughout Canada. The depreciation to the average purchaser is even greater than 20 per cent in many commodities due to taxes and so on.—A. In a great many instances, yes.

Q. What proportion of the controlling stock of this company is held by Anglo-Canadian?—A. Just over 50 per cent.

Q. Over 50 per cent. You do contemplate issuing various types of stocks and bonds if you are granted this authority to increase your capital, is that right?—A. Well, we will have to if we are going to progress.

Q. You will have to! The Anglo-Canadian stockholders as a group will receive rights on so many shares, according to the number of shares they now own. Is that right?—A. Well, that is a matter for the directors to decide, as to what is the best thing to do.

Q. That will be decided after this committee passes on your application for an increase in capital. It will then be in your hands to decide what to do?—A. The directors, yes.

Q. Just so that all the members of this committee will realize that after they pass on this application what the directors are going to do and the privileges they are going to give to Anglo-Canadian stockholders will be out of their hands entirely, from now on.—A. Any issue of stock in the company is in the hands of the directors.

Q. I believe that is so, but nevertheless you could, the directors could, give these Anglo-Canadian stockholders the right to purchase stock at \$100.—A. Well, I think we would have quite a holler from 2,500 shareholders who were not given the same offer, including myself. I am also a large shareholder.

Q. Whether your holler would be listened to or not—yours probably would!—I am trying to get at what the Anglo-Canadian Company is going to receive. What rate of interest would you say they would receive on the purchasing price they would pay for the new stock they will receive through their rights, what rate of interest would they receive?—A. I am afraid I do not quite understand. It would depend on what prices it was thought would be fair and at what price the public would be interested.

Q. Well, of course, it is a monopoly, this telephone company is a monopoly, and we are confronted here with the constant increase in the cost of living. If the return is going to be 8 per cent when you can secure plenty of money at $4\frac{3}{4}$ per cent, as you said you have done, owing to the fact that your company is a monopoly, no doubt about it, it would be unfair to the public of British Columbia to pay a telephone charge that would result in the payment of 8 per cent on money invested. Yet, this will be in the hands of the directors as to how many shares this company will receive. You have not any idea of the rate of interest you will be able to give to the stockholders?—A. The market at that time would indicate what we should sell our stock for, be it preferred stock or common stock.

Q. Have you any idea of the rate of interest you would be satisfied with, as the president of this company? Have you any idea what the cost of the stock would be, what the value of it would be, in order to give you a reasonable return, supposing it is a monopoly?—A. I would say this as president of the company that we will sell our stock at the highest possible price the market will take it at every time. We are competing in the money markets of Canada for our money and we are going to sell it at the highest price we can get for it.—Q. I am trying to find out if Anglo-Canadian, the controlling factor of this company, are going to receive a yield so that they can come back here to the Board of Transport Commissioners and say our rates are not adequate, we cannot pay this guaranteed amount and we therefore want to increase our rates to the buying public, and I believe I personally am more interested in the buying public than I am in this increase. I am interested in the company getting this increase. I am delighted to hear of the terrific expansion in the province of British Columbia because the benefit of that expansion is reflected throughout the dominion of Canada. I am trying to see that the users of the telephone through the granting of this increased capitalization are not going to pay an exorbitant or a high rate for the usage of this privilege, because that also will be a big factor contributing to the increased cost of living for the

people of British Columbia. That is my motive. I want to try and find out what the Anglo-Canadian Telephone Company stockholders are making or might make through this increase of capital and what the users would have to pay after, and what is going to happen when it later comes before the Board of Transport Commissioners and what will happen when it is in the hands of the board of directors of your company. Those are some of the things we should know and by questioning we should try to bring them out, so we will know exactly whether you people should receive this grant or if you should receive more. I am sure this committee will do everything in its power to see that you get it but not if the costs are going to be much higher than they are now, to the users of the telephone. It is in our power to take those things into consideration and we should bear all these things in mind.

Mr. APPLEWHAITE: May I ask the witness one question following Mr. Ferguson? Is it not a fact that the price for which shares shall be sold to the public and the rate of interest which those shares shall pay are set by the Board of Transport Commissioners at the time you apply for the issue of the shares?

The WITNESS: Absolutely.

Mr. GREEN: But they were sold at a higher price.

By Mr. Hodgson:

Q. I think we should know something of the past history of this company. That is why I asked for the figures going back to 1947. If you increase your rates of interest I would not be inclined to favour this application. But if you show us what you did in 1947 and show that you did not increase your rates to the buying public of your telephone system that would be in your favour, but if you show us where you paid 8 per cent and increased your rates to do so, I would say I am not in favour of your bill. But what I want is the past history of your company in that connection.—A. I do not know how to answer that. As new capital is introduced naturally that capital would have to support itself with new installations. We put in last year 20,000 new telephones. Well, 20,000 new telephones at so much a month, naturally that is supposed to take care of the increased capital; those 20,000 telephones would have to pay our wage costs, taxes and everything else.

Q. I asked Mr. Lett about the issue in 1947. What change took place in the rates to the subscribers then?—A. That would have nothing to do with it.

Q. It would have something to do with it in my mind. I want to know the past history of this company, to know if they paid 8 per cent and if they did, I would not be so much in favour of this bill.—A. Well, we pay \$8 per share, but the last four million shares were sold at \$132.50.

By Mr. Green:

Q. \$140 and something, was it not?—A. \$130.40 is what the company got for the shares.

Q. And what did the public have to pay?—A. They were underwritten; the rights were sold and the public were offered the rights. The existing shareholders, and we had a thousand of them including the Anglo-Canadian Telephone Company, all got the same offer, \$132.50, from the company, but the Anglo-Canadian Telephone Company sold their rights for 75 cents a share.

Q. What did they make on that?—A. 75 cents a share.

Mr. FERGUSON: That would be a capital gain, would it not, to them?

The WITNESS: Yes.

Mr. GREEN: What did it amount to altogether?

The WITNESS: Well, there were 60,000 shares, \$45,000.

By Mr. Ferguson:

Q. So the price paid by the user of the telephone to the Anglo-Canadian was included in those rights. Anglo-Canadian Telephone Company makes a nice juicy capital gain.—A. I did the same thing, and a thousand other people with me.

Q. As long as the people have to pay who use the telephone. I would be happy to own stock in that company, but in this committee I have a different duty to perform than I would have if I were a shareholder in your company.—A. As a matter of fact that issue was pretty sticky. We got into a bad market.

Q. Yes, but it was not sticky enough to stick to their hands. They sold it for a capital gain. What was it that made those rights worth that amount of money? There was a capital gain there of the difference between \$100 to \$140.—A. But you could not have sold all that stock at \$140 to the company. It costs money to distribute stock.

Q. But the other people bought it at \$132.50. Did you sell your stock at \$132.50? Probably that is too personal a question? I do not think you did.—A. I could have sold my rights if I had wanted. I did not sell my stock, though, neither did Anglo-Canadian.

Q. I thought you said they did.—A. Anglo-Canadian sold their rights.

Q. Not at \$132.50. They were able to get rights at \$132, is that right?—A. They were able to get the right to subscribe.

Q. At \$132?—A. At \$132.

Q. And they sold their rights, not for \$132?—A. Rights and shares are entirely different propositions.

Q. They sold rights to buy the shares, but the people who bought the rights paid more than \$132?—A. The people who bought the rights paid money for the rights and after they bought the rights they subscribed for stocks out of the treasury of our company at \$132.50.

Q. They bought them at \$132.50?—A. From us.

Q. The people who bought the rights from Anglo-Canadian were able to buy their shares at \$132?—A. Plus what they paid the broker for the rights.

Q. Have you any idea what the broker received on handling that stock, per share?—A. I think I already told you, sir, that the Anglo-Canadian sold their rights at 75 cents a right. Those rights were sold by the brokers at \$4, which had nothing to do with the telephone company.

Q. No, but the rights are well worth buying due to the operation of the telephone company; those rights are made valuable by the rates charged to the users of telephones, and they are made valuable by the exorbitant rates.—A. No, it is a method of guaranteeing. However, you have to pay the brokerage or the underwriting. Or you offer your shares to the existing shareholders at a little less than the market.

Mr. BROWNE: Who are the brokers who sold those rights for \$4?

The WITNESS: W. C. Pitfield and Company was the underwriting banker. It was a group of brokers all across Canada.

The CHAIRMAN: Gentlemen it is practically one o'clock but before adjournment it is desirable due to the multiplicity of committees and the many meetings we have that we have a deputy vice chairman of this committee. I think Mr. Healy has a motion.

Mr. HEALY: I move that Mr. F. P. Whitman be the deputy vice chairman of this committee.

The CHAIRMAN: Have you heard the motion? Those in favour? Opposed? Carried.

Is it the wish of the committee to meet again today?

Mr. FULTON: Let us meet tomorrow morning?

Mr. APPLEWHAITE: Mr. Chairman, I move we meet this evening.

Mr. FULTON: Let us meet this evening, then.

The CHAIRMAN: We will meet at 8.30 tonight.

The committee resumed at 8.30 p.m.

The Deputy Vice-Chairman, Mr. Whitman, took the Chair.

The DEPUTY VICE-CHAIRMAN: Order, gentlemen, we have a quorum and we will proceed with the meeting.

Mr. APPLEWHAITE: I understand that Mr. Lett has some information which he was asked for this afternoon but which he was not able to give at that time. I would suggest, with your permission, that he be recalled to give that information now.

The DEPUTY VICE-CHAIRMAN: Is it the pleasure of the committee that we hear Mr. Lett again?

Mr. Sherwood Lett, K.C., Solicitor, for British Columbia Telephone Company, recalled:

The WITNESS: Mr. Chairman, I was asked at the morning session to give the detail of the issue of preferred shares and common shares from 1948 to 1951. I did not have the information available then but I have it now.

In 1948 there were 3½ million preferred shares issued and 1½ million ordinary shares. In 1949 there were no preferred and no ordinary shares issued; in 1950 3 million preferred and 2 million common or ordinary shares were issued; in 1951, 1 million preferred and 4 million common shares were issued. The total of those is 15 million, of which 7½ million were preferred and 7½ million were common.

The second point about which I was asked was if I had a comparison—I had given the total number of ordinary shareholders as at May 31st, 1951 as being 2,658 holding 120,000 shares—and I was asked the corresponding number as of December 30th, 1950. The corresponding number of total shareholders of ordinary shares as at December 30th 1950, was 1,054, holding 80,000 ordinary shares.

The third point on which information was requested by one of the honourable members was if we could give a comparison of exchange rates as between the British Columbia Telephone Company and the Bell Telephone Company. That information is now available. Mr. Hamilton has it and it will be put in a form which will perhaps make it easier for members to compare. It is not yet completely typed and will probably not be ready until tomorrow morning.

The last point on which we were asked for information was concerning information regarding the amounts being expended in the various areas. I think it was Mr. Fulton who particularly inquired about that, and Mr. Hamilton has obtained the information from Vancouver by long distance telephone.

The DEPUTY VICE-CHAIRMAN: Shall we proceed?

By Mr. Fulton:

Q. May I ask Mr. Lett at this point if he has the information which I believe was specifically requested as to the number of shares presently held by Anglo Canadian Company? I think that was asked. Do you have that at the moment?

—A. Mr. Chairman, and Mr. Fulton, we have not got that information yet. We have an approximate idea but we have not got it exactly. We can get the information and we will be happy to get it for you.

The DEPUTY VICE-CHAIRMAN: Then shall we recall Mr. Farrell?

Agreed.

Mr. Gordon Farrell, President, British Columbia Telephone Company, recalled:

By Mr. MacInnis:

Q. Mr. Chairman, in answer to some questions asked by Mr. Fulton in regard to the amount of the program of building extension and improvements, you gave figures for the end of 1950 I think, and as of this date too I believe. For the end of 1950 I think you gave a figure of some \$8 million odd, is that correct?

—A. Yes.

Q. And as of this date, some \$12 million or approximately that?—A. On 1950 pricing.

Q. What was that?—A. On 1950 price figures.

Q. Oh, that was the same figure for 1950 at the 1951 price figures?—A. Yes.

Mr. FULTON: That is not the way I understood it.

Mr. MACINNIS: It is not the way I understood it either.

By Mr. Fulton:

Q. You told me you had commitments outstanding at the end of 1950 of approximately \$8 million, and you had a program for 1951 of approximately \$12 million including that \$8 million not spent in 1950?—A. No, no, it was additional.

Q. In addition? So we have \$20 million and then you said that was a \$20 million program at the 1950 price level?—A. That is right.

Q. That is the way I understood it.

By Mr. MacInnis:

Q. Now I am confused. I thought you told me just a moment ago that the figure of \$12 million would be the cost of the \$8 million if it were done now?—A. No, no. That is additional.

Q. That is additional?—A. Yes.

Q. That is what I wanted.—A. The \$8,700,000 was left over from the previous year and the \$12 million is this year's estimates at the 1950 pricing level.

Q. You said there might be some overlap. Is there any part of that \$8 million included in the \$12 million?—A. Not a nickel.

Q. My other question is on what particular phase of the operations of your company does the Board of Transport Commissioners exercise control? You have to come to this parliament, of course, for changes in the Act and for extensions of capital. For some other purposes such as tolls and other things, you have to go to the Board of Transport Commissioners?—A. They have jurisdiction over rate and charges and certain other things in regard to our extensions and so on. I do not know exactly whether it is laid down specifically that they can compel us to extend into any particular area, but if we do not the matter is referred to them and it is then taken up with the company.

Q. I am asking this because I wrote to the Board of Transport Commissioners here and it was on a rather small matter that was referred to me from British Columbia where the Utilities Commission was approached. The Utilities Commission said they had no jurisdiction in the matter and the reply I received

from the Board of Transport Commissioners was that they had no jurisdiction in the matter either. So, apparently, there is no body or authority to which the people served in British Columbia by the British Columbia Telephone Company can go, except upon about three points you have already covered: rates; the issue of stock; and perhaps one other thing that is under the control of the Board of Transport Commissioners?—A. What was the particular difficulty?

Q. It was in connection with a complaint concerning an area in Burnaby—a residential area that was not getting telephone service or not able to get allocations of telephones.

Mr. GOODE: The Suncrest subdivision.

By Mr. MacInnis:

Q. Yes. After the matter had been referred to the British Columbia Utilities Commission it was turned down and it was said that the Utilities Commission had no authority. It was then sent to me in order to take the matter up with the Board of Transport Commissioners. I am sorry that I have not got the letter from the Board of Transport Commissioners here although I can find it and let you see it. The Board of Transport Commissioners said they had no authority in the matter at all so, from that, I gather that as far as the British Columbia Telephone Company is concerned, excepting in a few matters already referred to, there is no control whatsoever over its operations by any authority?—A. I think it would have been fairer, Mr. MacInnis, if you had told me what the actual complaint was and what the Board of Transport Commissioners said—because I am afraid I cannot answer your question otherwise.

Q. I am sorry if I interjected this at the wrong place but I will bring all the facts to your attention and then you can answer?—A. What did the company say?

Q. Evidently the company had refused an allocation of telephones to—what is the name of the place?

Mr. GOODE: The Suncrest subdivision in Burnaby.

The WITNESS: I presume it was just an impossibility at that time to proceed with that new work. I do not know, I am just guessing.

By Mr. MacInnis:

Q. Well, evidently your public relations were not good enough to satisfy the people that there was some difficulty, because I assume if they had been, they would have left it there?—A. Of course, all little groups like that are self-centered in what they would like us to do for them, and it does not matter what we do somewhere else.

Q. I am not even suggesting that there might not have been good reasons for not doing it. You see, you talk about little groups being self-centered but they say something similar about big groups like the British Columbia Telephone Company.

By Mr. Fulton:

Q. May I ask Mr. Farrell a question which I asked of Mr. Lett, and to which he answered that he preferred I ask another witness? Have the Board of Transport Commissioners to your knowledge ever required an improvement or an extension in your service?—A. Well, I cannot answer that. I do not remember. We have had plenty of requests from the Board of Transport Commissioners to look into this or that or do this or that—which I think we have done at their request.

Q. Well I would like to follow that up in a minute but I was thinking of such circumstances where you go before them with an application for an increase

in rates or with an application for the issuance of further capital shares. Have they ever, under those circumstances made the increase in rates or granted the authority to issue shares conditional upon the rendering of certain services?—A. No, not to my knowledge.

Q. Could you elaborate a little please on these references to them by you to investigate certain things which you have just mentioned? How would that come to your attention? In what form would that be referred to you and would there be any instructions attached to it?—A. Well, I really cannot remember much of the detail about these matters. We have had matters from time to time. I would like you to ask Mr. Hamilton who has been very closely in touch with that detailed operation of the company.

Q. Perhaps I can wait until Mr. Hamilton comes on, and I understand we are going to have the solicitor for the Board.

The DEPUTY VICE-CHAIRMAN: Yes, if it is the pleasure of the committee to call him.

By Mr. Goode:

Q. Mr. Chairman, I am very sorry that I have not been here before but, because of the extended meetings of the Veterans Affairs Committee I could not be in two places at once.

I have been instructed, if a member of parliament can be instructed, to oppose this application on behalf of the municipality of Burnaby. That does not, however, direct what I am to do on this committee. What the municipality of Burnaby considers and what I consider after hearing the evidence are two different and distinct things. However, I would like to know whether the municipality of Burnaby, through its council, have made any formal request to you to reduce the capitalization of this issue?—A. I think they just wrote us a blanket letter saying they did not like it, and it was too much, but I just do not remember.

Q. Could Mr. Lett add anything to that?

Mr. LETT: Mr. Chairman, I do not remember receiving a letter from Burnaby. I think we did receive a letter from a municipality somewhere else. I can check that up. It was not a very objective letter.

Mr. GOODE: I think the municipality was rather worried about whether the rates would go up on a capitalization jump of from \$25 million to \$75 million. Frankly, I think a lot of us in British Columbia are worried about the same thing.

Mr. MACDOUGALL: Not me.

Mr. GOODE: Perhaps not you but most of us are.

By Mr. Goode:

Q. Would it be a fair question, and I wish you would rule on this before I ask Mr. Farrell about it, would it be a fair question to ask whether the British Columbia Telephone Company expects to increase their rates because of this increase in capitalization?—A. I would say definitely no. Any increase in rates would be on account of increased operating costs to the company and would have nothing to do with the authorized capital at all.

Q. There is an application at the moment, and I may be repeating something that someone else has said because I have not been here, but there is an application before the Board of Transport Commissioners at the moment?—A. Yes.

Q. Would it be a fair question, and I hope I am being fair, to ask you if a percentage of that increase is granted by the Board of Transport Commissioners—and I expect it will because our experience with the Board is that they grant most increases—would you think that increase sufficient to cover the year 1951? You would not expect to ask for another increase this year?—A. Well, not unless we have increased operating costs which we cannot control.

Q. You would think it was fair not to expect another increase from the Board this year on top of the one you already have?—A. I do not think so.

Mr. MACDOUGALL: I think it is fair to say that I happen possibly to be on the spot with respect to this bill as much as any member from British Columbia, if not more so. I say that for the simple reason that the city hall in the city of Vancouver is in my riding, and so is the Fairmont exchange, against which I personally have a little grievance. The city hall receives its telephonic communications from that particular exchange and they likewise were possibly a bit annoyed because I think it is fair to say that the service on the Fairmont exchange has not been what most people on the exchange had anticipated that it ought to be.

As a result of that dissatisfaction the city hall has forwarded a brief, ostensibly against the granting of the increase in capitalization from \$25 million to \$75 million. Actually, when we take this brief and study it—as I know that most members from British Columbia in particular have done—the only criticism that is being offered in five of its major points is with respect to the increasing of the authorized capital of the company from \$25 million to \$75 million. That is the only objection that the city hall has raised with respect to this bill.

Mr. GREEN: That is not correct.

Mr. MACDOUGALL: Well, I have it right here.

Mr. GREEN: And I have it right here.

Mr. JONES: Could I ask a question? You mention that most British Columbia members have had the brief. Two of us here have not seen it. Is the brief to be presented to this committee?

Mr. MACDOUGALL: No, no. I possibly should have said Vancouver members rather than British Columbia members.

Mr. JONES: Oh.

Mr. MACDOUGALL: Clause (b) of that brief does not object to it and it reads as follows:

To provide for the issue hereafter of preference or preferred shares of a par value of either twenty-five dollars or one hundred dollars each.

And (c) reads:

To make provision for the subdivision of any outstanding preference or preferred shares of a par value of one hundred dollars each into shares of a par value of twenty-five dollars each if deemed advisable by the directors, and subject always to the consent of at least seventy-five per cent in par value of the holders of each class of such preference or preferred shares proposed to be subdivided.

And clause (d) reads:

To enable the company to pay a commission on the sale of its shares;

And clause (e) reads:

To subdivide the presently outstanding ordinary shares of a par value of one hundred dollars each into shares of a par value of twenty-five dollars each and to provide that all subsequent issues of ordinary shares shall be of a par value of twenty-five dollars each.

Now, further on, the criticism is made with respect to item (a) that I have mentioned:

Your committee—that is the city hall committee—would accordingly recommend that the city should at this time oppose the application of the company to obtain such an excessive increase in capital authorization (from twenty-five million to seventy-five million dollars) as provided for in the bill now being presented.

That goes back to my original statement which was made at the commencement of my remarks. Despite the fact these people in the city hall are on a line of service that is muchly overloaded, their main objection is to what they call an "excessive" increase.

Now, in all fairness both to the city hall and to the company, and even to those members of us who are here and who are opposed possibly to this so-called excessive increase, the fact still remains that I do not think that there is any member of the House in receipt of this brief from the city council who can find any other fault in the brief—other than the so-called excessive increase in capitalization. In my own riding I know this to be a fact.

Mr. FULTON: Mr. Chairman, with deference, I think in fairness to the witnesses who are here I might suggest that my understanding was that we were to be questioning the witness and then we might argue amongst ourselves. I know I want to ask Mr. Hamilton some questions and it might speed up our proceedings if we asked questions only now.

The DEPUTY VICE-CHAIRMAN: I think your exception is well taken, Mr. Fulton. I think we have witnesses here and that we should question them.

Mr. MACDOUGALL: I will be able to have my say later.

The DEPUTY VICE-CHAIRMAN: Yes.

By Mr. Green:

Q. Mr. Chairman, there are a few questions I would like to ask Mr. Farrell. In the first place, Mr. Farrell, I understand that you are the president of the British Columbia Telephone Company?—A. Yes.

Q. And also vice-president of the parent company, Anglo Canadian Telephone Company in Montreal?—A. Yes.

Q. And vice-president of an affiliated company known as Chilliwack Telephones Limited?—A. No, I would like to correct you there, I am the president. Do not underrate me.

Q. The president, oh, I apologize. You are the president of Chilliwack Telephones Limited?—A. Yes.

Q. And Kootenay Telephone Company Limited?—A. Yes.

Q. Mission Telephone Company Limited?—A. Yes.

Q. And North-west Telephone Company?—A. Yes.

Q. Those are companies smaller than the British Columbia Telephone Company and each one of them operates in British Columbia. For example, Chilliwack Telephones Limited and the Mission Telephone Company I presume cover most of the Fraser Valley?—A. Just little areas around the cities involved.

Q. And the Kootenay Telephone Company covers East Kootenay?—A. No, Cranbrook and Fernie, and places in that district.

Q. Kimberley?—A. Kimberley is in the Kootenay Telephone Company.

Q. I think the member for Kootenay East will agree with me that the Kootenay Telephone Company Limited would cover practically all of East Kootenay?—A. Yes, East Kootenay.

Q. And North-west Telephone Company covers the northern part of British Columbia?—A. It is primarily a radio company but we have exchanges in Prince George and Powell River.

Q. It covers the coast above Vancouver?—A. Yes.

Q. And each one of those companies is, like the British Columbia Telephone Company, a subsidiary of Anglo Canadian Telephone Company?—A. Yes.

Q. And of course any increase in the capital of the British Columbia Telephone Company would not be required for any expansions in the areas covered by these other companies, is that correct?—A. That is correct.

Q. Now, I want to ask you two series of questions along the line of the two grounds of complaint which are advanced by the counsel of the city of Vancouver.

I do not agree with my friend, Mr. MacDougall, that there is only the one ground of complaint and I would refer him to the bottom of page 3 of the letter from the committee appointed by the city council—

Mr. FULTON: Are you going to put that on the record?

By Mr. Green:

Q. —dated February 9 of this year, which was forwarded with excerpts from a report dated December 5, 1950, made by Mr. D. E. McTaggart, and Mr. C. Brakenridge, to his worship the mayor and members of the city council.

Incidentally, Mr. Brakenridge is here and will be giving evidence for the city.

My first ground of complaint is, as you know and will admit, Mr. Farrell, I think, that on the application before the Board of Transport Commissioners a little over a year ago, the city of Vancouver had associated with it the city of Victoria, the union of British Columbia municipalities, the municipality of Burnaby, and the provincial government of British Columbia. They all joined to fight your application for an increase at that time, did they not?—A. How could you expect them to do anything else, Mr. Green?

Mr. GREEN: Well, I did not expect them to do anything else. I was very glad they did it, and I hope they will do it again this year on your present application. I think you will also admit that one ground of complaint by the city of Vancouver is the amount of the increase of capital now being sought by the company, and the objection is based primarily on the fact that the supervision that parliament exercises when an application is made for a change in your charter to increase your capital is a very valuable restraint in the interest of the phone users of the city.

The WITNESS: Are you trying to put words into my mouth?

Mr. GREEN: No, I am asking you, will you admit that is the ground they have raised?

The WITNESS: Well, I don't know why I should admit anything in regard to that.

Mr. LETT: May I say a word on the subject?

The DEPUTY VICE-CHAIRMAN: Mr. Green, do you want to hear Mr. Lett?

Mr. GREEN: Yes.

Mr. LETT: I may say, Mr. Green has suggested that the objection of the city of Vancouver is based on certain things. As I understand the purpose of the committee, if a party opposes an application, it normally files a petition or some document letting the parties know the grounds on which the opposition is based. I think the rules provide for that, and while I realize the rules are in the hands of the committee, I think it might be fairer, in putting questions to Mr. Farrell, that at least the committee should know the basis of the objections of the city, and that perhaps we might be advised of the basis of those objections. We have been supplied with a copy of the brief which was sent, as Dr. MacDougall has said, to, I understand, the Vancouver members, but that brief, as I read it, said they had one main objection, and that was to the increase of capital. If there are other bases for the objection, then, with great respect, Mr. Chairman, I would suggest it might be fair to the witness and to the applicants to have the city place before us the bases of their objections, if there are other bases than the one which has already been referred to.

Mr. GREEN: You said you have had this brief from the city, and I presume you have had a letter with the brief which reads as follows, at the foot of page 3:

If the council concurs in the views advanced in the foregoing four paragraphs your committee would further recommend that the city take all possible steps to endeavour to have presented to parliament the

onerous nature of the contracts to which the B.C. Telephone Company is now subjected, when the private bill of the telephone company is under consideration, in an endeavour to obtain relief or amelioration from the adverse consequences of such contracts.

You have had that?

Mr. GOODE: Mr. Chairman, these two gentlemen are talking about something the rest of the committee know nothing about. I think, if we are going to talk about the city of Vancouver brief, then we should have a copy in front of us.

The DEPUTY VICE-CHAIRMAN: I think we have a witness here on the stand whom we are supposed to question, and bring out any evidence you wish to bring out. Do you want to bring the counsel for the city of Vancouver, or go ahead with this witness?

Mr. GREEN: I asked a question of Mr. Lett, who got up and made a statement, and having done so, I am entitled to ask him questions.

The DEPUTY VICE-CHAIRMAN: Mr. Farrell is our witness.

Mr. GREEN: Mr. Lett intervened and asked to make a statement, and I am questioning him on the statement he made.

Mr. GOODE: I am going to insist in this for a moment, Mr. Chairman, because I do not think it is right for an examination of this type to be held between Mr. Green and the witness without the rest of the committee knowing what this brief consists of, and I do not think this line of questioning should be continued until the rest of the committee are in possession of the brief.

Mr. GREEN: If Mr. Goode had been here this morning, he would not have raised that point, because we had cross-examination this morning.

The DEPUTY VICE-CHAIRMAN: We did not have cross-examination on this brief. The first I heard of this brief was when Mr. MacDougall brought it up this evening. That brief was first brought in tonight. I think we should go ahead with your questioning of Mr. Farrell.

Mr. GREEN: Mr. Lett has said he received this brief and, as I understand it, that there was nothing in it except the complaint against the increase of capital. Did you or did you not get this letter?

Mr. LETT: I received a copy of the report—not a brief—I received a copy of the report unsigned, apparently made by the chairman of the Utilities and Airport committee and the council dated February 9, 1951, made to His Worship the Mayor and the members of the city council. That was sent to me by the corporation counsel, Mr. Lord, under date of a letter dated February 13, 1951, and in which he said that “a report had been prepared and presented to the city council and at its meeting yesterday they approved of the recommendation contained therein. For your information I enclose a copy of the special committee’s report. Copies of the report have also been forwarded to all Vancouver members of parliament. A special committee of the council have power to decide whether the city will send representatives to present its objections when the bill is being considered in committee. No decision on that point has yet been made.”

Now, that is on February 13. I assumed, Mr. Chairman, that if there were to be formal objections to the bill that the usual procedure, out of respect for the members of the committee, would have been followed. As I understand the procedure, a person in opposition to a private bill files a petition giving his objections and the grounds of his objections, so that, as I understand it, for the convenience of the committee and also for the convenience of the applicant, so that he knows the nature of those objections and has an opportunity to

meet the objections, and also that the committee may have an opportunity to know what the contest is about. As I understand the report of the city of Vancouver, they deal with the five points which have been mentioned by Mr. MacDougall, and they go on to state—and I quote:

Your committee consider that the outstanding feature of this 'application' is contained in item (a), whereby the company seeks to obtain power to increase its authorized capital from the present limits of twenty-five million to a new limit of seventy-five million dollars, which would thereby treble the present limit.

Then, on page 3: "your committee would accordingly recommend . . ."

The DEPUTY VICE-CHAIRMAN: Mr. Lett, I am in the hands of the committee here, but I do not think this conversation which you are carrying on here now should be carried on. The members of the committee do not have that brief before them. I think some of the Vancouver members may have it, but most of us do not, and you are discussing something we know nothing about. I think, Mr. Green, if you go on with your questioning, when we come to the preamble we can go on with that brief.

Mr. GREEN: Well—

Mr. MACDOUGALL: If I may be permitted—

Mr. GREEN: I am just replying to you, Mr. Chairman, and Mr. MacDougall should not interrupt.

The DEPUTY VICE-CHAIRMAN: Mr. Green has the floor.

Mr. MACDOUGALL: If Mr. Green will read on—

The DEPUTY VICE-CHAIRMAN: We are not going to discuss that any further. Is that the feeling of the committee?

Mr. MACDOUGALL: It is throwing a stinger on the remarks I made, which I want to correct. I want to show Mr. Green on page 4 of the so-called brief: "In reference to the other proposed amendments or additions to the powers of the company as outlined previously under sub-headings (b), (c), (d) and (e) your committee see no reason to advance any serious objections to same."

That is why I say that the only objection presented in this brief is of the increased capitalization, and the other subheadings I stated—

Mr. GREEN: Read the paragraph immediately preceding it.

The DEPUTY VICE-CHAIRMAN: I wonder if that is not out of order. Will you gentlemen sit down for a minute? I believe the city of Vancouver counsel could bring that brief forward at the proper time. You may make your statement Mr. MacDougall.

Mr. MACDOUGALL: I have made it.

The CHAIRMAN: Is that the feeling of the committee?

Some Hon. MEMBERS: Yes.

Mr. GOODE: Mr. Chairman, I move that each member of this committee be provided with a copy of the Vancouver city council brief.

The DEPUTY VICE-CHAIRMAN: That motion is not in order because we have not any brief before us. I expect when the time comes the counsel will bring it in.

Mr. GREEN: There is one point raised by Mr. Lett which I think should be dealt with: I believe he has taken the position he has not been given notice of the stand taken by the committee, but he does admit having had all this material on February 13, four days after the date of the material, and I believe it was also—

The DEPUTY VICE-CHAIRMAN: Are you discussing the brief again, Mr. Green? I must ask you not to discuss the brief any further.

Mr. LETT: Mr. Chairman, may I—

The DEPUTY VICE-CHAIRMAN: No; wait until we get the brief.

By Mr. Green:

Q. Mr. Farrell, apparently the plan submitted by the telephone company for expansion originally was based on an expected expenditure of \$10 million per year for ten years; is that correct?—A. Yes.

Q. Those are the correct figures?—A. At that time, yes—the first of the year.

Q. Pardon?—A. That was at the first of the year.

Q. Those were the figures given by Senator King when he spoke on the second reading of the bill in the Senate. He said it at page 61 of the Senate *Hansard*.—A. That is right.

Q. That is correct?—A. Yes.

Q. And those are also the figures given by Mr. Applewhaite when he spoke on the second reading of the bill in the Commons on March 9; is that not correct?—A. That is right.

Q. Are you standing by those figures, or are you wishing to change them?—A. If you will hold prices, Mr. Green, I will stand by them.

Q. No; but those were the figures less than two months ago.—A. I have already said that our \$12 million figure is now \$14 million for the 1951 program.

Q. No; but the figures submitted by your representatives—by the sponsor of this bill in the Senate and the sponsor in the House of Commons—were \$10 million a year for the next ten years.—A. Based on 1950 prices.

Q. When did you decide to change those figures—or are you changing them? Are you standing today on those figures of \$10 million for a period of ten years?—A. That was our estimate, but we cannot control prices, Mr. Green. We have already stated that since the first of the year they are up 20 per cent.

Q. No; this figure was not given at the first of the year—this figure was given by Mr. Applewhaite on March 9.—A. You cannot make—

Q. Pardon?—A. You cannot revise your figures from week to week.

Q. Are you still standing on that figure of \$10 million, or—A. I have already told you 1951 will be \$14 million instead of \$12 million: \$10 million will be the minimum.

Q. Pardon?—A. \$10 million will be the minimum.

Q. You now want to put it in that way that \$10 million will be the minimum per year for the next ten years?—A. That is our estimate.

Q. That would amount to \$100 million for the period of ten years?—A. Yes.

Q. What were your expenditures for 1950, figured in the same way that you figure this \$10 million per year?—A. Well, I gave you that already: \$6,400,000, I think was the figure, \$6,400,000.

Q. So that the comparable figures for 1950 were \$6,400,000?—A. We had \$8,700,000 left over.

Q. No; I am wanting to know what figure you set, worked out in the same way that you work out this figure of \$10 million a year for ten years; you have given us your figure of \$10 million for the ten years commencing 1951?—A. Yes.

Q. I want to have the comparable figure for 1950.—A. Well, we actually spent \$6,400,000.

Q. And in 1949 how much did you spend?—A. Well, you have the figure, Mr. Green—\$6,700,000.

Q. So that the figures for 1949 were \$6,700,000, and for 1950 were \$6,400,000; that is correct?—A. Yes.

Q. Are you yet running up against the difficulty of getting equipment and materials?—A. Not much more than we have been.

Q. Well, are you— —A. We are always hoping.

Q. Are you not expecting to be hampered in your expansion programs by the shortages of certain materials?—A. We hope not.

Q. If you are, would that or would it not affect the amount of capital that you would require for these expansions?—A. Yes, well, naturally if we were cut down, but we would just have to catch it up later. This thing is not going to go on forever.

Q. Then, I would like to come to the question of the capital that you would have available for these ten years: you already have \$5 million of capital which was not issued until this year of 1951, have you not?—A. We have no capital unissued now.

Q. No, but which, I say, was not issued until this year?—A. Yes.

Q. There was \$5 million issued this year?—A. Yes.

Q. And on \$4 million of that \$5 million, which was issued in the form of common shares, you got a premium of \$32.50 per share, did you not?—A. Right.

Q. So that the company really got an extra \$1½ million because of the fact that those shares realized \$132.50 per share?—A. Well, we got the premium, certainly.

Q. And on your remaining \$1 million of preferred shares you also got a small premium?—A. No.

Q. Well, they were sold at \$102?—A. Well, who pays the broker?

Q. \$102 per share?—A. Who pays the broker?

Q. What did you realize?—A. We cannot sell our stock less than par; we got par for it, and the broker sold it for par, as a matter of fact, and lost \$2 every share he sold.

Q. So that you got \$1 million for the preferred shares?—A. Yes.

Q. And you got \$5 million and approximately one-third of a million dollars on the common shares?—A. Right.

Q. Then, you are now asking for a further increase of \$50 million?—A. Yes.

Q. So that that would give you, with the 6½ million that you have received from the shares, that you have just issued recently, at least a total of \$56 million from these shares?—A. Well, you are rather underrating us. We hope always to sell our common stocks at a premium.

Q. Well, how much capital would you get now from those?—A. It depends on the market.

Q. How much capital do you estimate you will get from the \$50 million shares?—A. I am not a soothsayer.

Q. Pardon?—A. I cannot look into a crystal ball and tell you. The market will absolutely govern it.

Q. Well, even taking it that you just get par for it?—A. We might not even get par.

Q. Well, if you got par that would be an additional \$55 million?—A. Yes.

Q. An additional \$50 million. You have been financing for some time on the basis of 40 per cent by capital—by shares—and 60 per cent by bonds or similar securities, have you not?—A. Yes.

Q. That has been the practice of the company?—A. Not practice. We just took advantage of the market. Bonds were readily saleable, and we sold bonds.

Q. Have you continued on that basis?—A. We do not intend to.

Q. You are trying to switch; I realize that that is one of the problems, but if you continued on that basis you would be able to raise an additional, I think it works out at an additional \$74 million?—A. Well, I cannot do it in my head, Mr. Green. If your figures are correct, I suppose it is correct.

Q. That would give you a total, with the \$56 $\frac{1}{2}$ million by way of share capital, of something over \$130 million?—A. Well, I do not know. I have not—I cannot make the figures up.

Q. I think that should be \$84 million instead of \$74 million: I have done myself in the eye here to the extent of \$10 million; I think it should be \$140 million.—A. We talk about millions as though they were thousands.

Q. That is right. That should be \$140 million. If you continued to finance on the basis of 40 per cent shares and 60 per cent bonds you would have available for these ten years a total of approximately \$140 million?—A. You could not sell your common stocks at \$132.50 if you did that, Mr. Green.

Q. Over the period of ten years?—A. Equity would be too thin.

Q. Let us take it on the basis of an increase of \$25; that could work out at, I think, approximately \$77 or \$78 million, if you got an increase of \$25 million and continued your present method of financing—40 per cent and 60 per cent. Then, Mr. Farrell—

MR. LETT: Mr. Chairman, I am not questioning my learned friend's arithmetic, but I think it should be checked before it goes on the record.

MR. GREEN: Well, let us get it right; I want it right on the record.

THE DEPUTY VICE-CHAIRMAN: I thought I understood you to say this afternoon that 40 and 60 was elastic—it did not go that way every year?

MR. LETT: If my friends would ask the question, I think Mr. Farrell could answer that.

By Mr. Green:

Q. As a matter of fact, Mr. Farrell, the figure has been even a larger percentage of bonds than 60 per cent, has it not? It has been running between 60 and 65 per cent?—A. We only had one shareholder then, Mr. Green. You cannot sell shares at a fair market price with a thin equity.

Q. Well, you have just sold shares—the public have just bought shares and paid \$140?—A. We are on a 50-50 basis now.

Q. You are not on a 50-50 basis now?—A. 51.9 bonds and 48.08 stocks.

Q. That is since you have sold these shares?—A. Yes.

Q. But at the time you put the shares on the market you were on a 60-40 basis?—A. Which shares?

Q. At the time you put this \$5 million in shares on the market?—A. This sweetened it up.

Q. You say now you are on a 49-51 basis?—A. Yes, it sweetened it up to that extent.

Q. That was not the position at the time you sold them?—A. No, but that was going to be the position.

Q. By the way, on the sale of these common shares, what price did the Board of Transport Commissioners set for those shares?—A. \$132.50.

Q. The Board of Transport Commissioners said that they could be sold at \$132.50: did the Board have any interest in the actual selling price of such shares to the public?—A. No.

Q. Pardon?—A. Well, I presume they discussed—we discussed what the market possibilities were, certainly.

Q. But you got an order authorizing to sell at \$132.50, but the public paid \$140.50 for these; how did that come about?—A. Well, common shares that are offered to the shareholders are usually offered at less than the market.

Q. No, but these were not?—A. So that the rights are worth something, which ensures you getting the money.

Q. Did the Board of Transport Commissioners know that there were these rights involved?—A. There are always rights involved.

Q. Did the Board of Transport Commissioners know there were to be these \$8 rights involved?—A. What \$8 rights are you speaking of?

Q. The difference between \$132.50 and \$140.50 was made up by rights? The shareholders, the existing shareholders got these rights apparently and then the rights were sold for \$8 for two rights, bringing the figure—it took two rights to buy a share from \$132.50 up to \$140.50. Was that plan placed before the Board of Transport Commissioners?—A. The Board of Transport Commissioners knew that the existing shareholders were going to be offered these shares at \$132.50.

Q. Did the Board of Transport Commissioners know anything about those rights?—A. Well, the shares at that time were \$145 on the market.

Q. The shares which were then outstanding?—A. Certainly.

Q. I want to find out just what check the Board of Transport Commissioners made with regard to the sale of these new shares? Did the Board of Transport Commissioners take into consideration at all the fact that there were to be rights issued?—A. Why certainly.

Q. That was placed before the Board of Transport Commissioners.—A. When the Bell Telephone Company ask for an increase in capital what do they do? They sell their stock at a price considerably below the market to their shareholders. The rights were traded backwards and forwards. It is a method of distributing your shares.

By Mr. Conacher:

Q. Does not the stock exchange insist upon those rights in trade when your stock is listed?—A. Our stock is not listed.

Q. Home Oil ran into trouble the same way.—A. It is the usual practice even if you are not listed.

By Mr. Green:

Q. Of the company shares which were out at the time of this new issued, the Anglo Canadian company held 60,000 and 20,000 were held by the public, is that not right?—A. That is right.

Q. So that the Anglo Canadian company got $\frac{3}{4}$ of all the rights?—A. Well, they got the rights on 60,000 shares.

Q. They got the rights on 60,000 shares, and the public shareholders got the rights on 20,000 shares, and then Anglo Canadian sold most of those rights?—A. Yes.

Q. They advertised them for sale, the rights to cover 27,800 ordinary shares, and I believe it required two rights to buy one share so that that would be 55,600 rights were sold by Anglo, is that correct?—A. Yes, they sold them, they sold them all as advertised in the circular, yes.

Q. That would leave Anglo with enough shares to control the British Columbia Telephone?—A. They would still have 50,000 plus this small amount which they took up.

Q. That retains control in Anglo Canadian?—A. Yes.

Q. And these rights were all sold to the public in any event at \$4 per right, were they not?—A. Yes.

The DEPUTY VICE-CHAIRMAN: Was that a special price, \$4 per right?

Mr. GREEN: That was the advertised price, I think.

The WITNESS: They were bought by W. C. Pitfield and Company and a group of brokers for 75 cents a right.

By Mr. Green:

Q. 75 cents a right, and then they were sold at \$4 a right?—A. And W. C. Pitfield and Company guaranteed if they were not all sold they would take up all the balance of the common shares that were not taken up.

Q. Were the rights all sold?—A. Yes, all but 526 shares, I think.

Q. They were all sold at \$4 a right?—A. Well, I do not know about that. I think some of them sold for less.

Q. Is there any interlocking of directorates between Anglo Canadian and W. C. Pitfield Company Limited?—A. Interlocking directorates?

Q. Yes?—A. Well, Mr. Tory of W. C. Pitfield and Company is one of our directors.

Q. One of your directors and a director of Anglo Canadian.—A. Yes.

Q. And by the way is Mr. Tory also a director of this Chilliwack Telephone Company Limited and Kootenay Telephone Company Limited and Mission Telephone Company Limited?—A. I think he is, yes.

Q. And also of the North-west Telephone Company?—A. Yes. No, they tell me he is not.

The DEPUTY VICE-CHAIRMAN: He is a director of Abitibi Power and Paper Company and several other companies.

The WITNESS: I have not got those balance sheets here, Mr. Green.

By Mr. Green:

Q. He certainly is a director of the British Columbia Telephone Company and my understanding is he is also a director of the Chilliwack Company, the Kootenay Company, the Mission Company and the North-west Telephone Company.—A. I am not sure, to tell you the honest truth.

Mr. LETT: We can find it; I do not know myself.

Mr. MACDOUGALL: Well, what if he is?

Mr. GREEN: You are a great advocate for the city of Vancouver, Mr. MacDougall!

The CHAIRMAN: Carry on with your questioning, Mr. Green.

Mr. GREEN: To come back to the other question with regard to the fairness of the charges made as between these interrelated companies, these affiliated companies. These charges, I understand, are, I think, taken into consideration in the setting up of rates by the Board of Transport Commissioners.

Mr. APPLEWHAITE: I want to rise on a question of order, Mr. Chairman. I regret having to do it but I think it is in the interest of the committee as a whole. Mr. Green will know what I am getting at, if we settle this point now. I understand that Mr. Green wishes to bring into the argument, into the question, the matter of the operating contracts which have been referred to in various applications before the Board of Transport Commissioners on rate applications. I do not want to argue this at length, though I could. I would like to point out that whether or not those contracts which he is referring to are legitimate or justified is a matter of *res judicata*. It is a matter which has been decided on by a judicial body, the Board of Transport Commissioners, and to use their own words, you cannot take advantage of the fact that the application is being made to parliament for the increase in capital in order to attack the operating contract even if they were not ruled legitimate and in this case they are, because the operating contracts admittedly affect the balance sheet of the company and therefore they affect the rates which it is necessary for the company to charge for telephone service, and the company telephone rates are fixed by the Board of Transport Commissioners. These operating contracts do not affect the need of the company to increase its capital for capital expansion and development. They are not germane to or part of this application. No decision which this committee could arrive at as to the legitimacy or otherwise of those contracts could affect the question of increasing the capital, for capital expansion, because if those contracts were held by the Board of Transport Commissioners or other judicial bodies to be unreasonable the result would not be an increase in the service of the company, it would be a decrease in the telephone rates which are

based on the operations of the company. I think I am safe in saying that the company has no desire to avoid as full and complete an examination into its affairs as this committee sees fit to make with regard to the application, which it is making, but I do submit that the matter of the operating contracts has been decided by the Board of Transport Commissioners and that decision is binding until appealed in the proper way, and second, that we will be taking up unnecessarily a lot of time of this committee on matters which do not concern the application.

Some Hon. MEMBERS: Hear, hear.

Mr. GREEN: Mr. Chairman, on a point of order, this company has come here asking to have its charter opened and an amendment made to that charter. Now, one of the provisions of that charter is contained in paragraph 16, subsection (1) clause (k) and it reads as follows:

No toll or charge shall be demanded or taken until it has been approved of by the Board of Transport Commissioners for Canada, which board may also revise such charges.

Now, with the charter opened up, as it has been, I personally intend to ask that there should be an amendment added to that clause of the charter to the effect that the Board of Transport Commissioners shall take into consideration the fairness and the reasonableness of the charges levied against this company by its affiliated companies and of the amounts which are payable by reason of agreements between them. Now, that does not in any way seem to upset the judgment which has been made by the Board of Transport Commissioners but it would direct the Board of Transport Commissioners to take into consideration—

Mr. FULTON: In the future.

Mr. GREEN: —in future, the fairness of the charges made as between these companies. Now, if the Board of Transport Commissioners are not able to do that then there may be the greatest unfairness as against the people who pay the phone rates.

Mr. APPLEWHAITE: They have already done it. Their judgment deals with that in full.

Mr. GREEN: In the judgment, in two respects they refused to interfere with amounts charged against the British Columbia Telephone Company and which the British Columbia Telephone Company in turn charged to the phone users. Now, I am going to ask that there be an amendment to direct the board to take into account the fairness of these charges and I would be surprised actually if the phone company opposed such an amendment because it is only taking in the reasonableness of the charges. Now, that is clearly in order. If we cannot consider the terms of the charter when it is opened up then the committee, I submit, Mr. Chairman, is absolutely restricted beyond all reason in considering the whole situation. Here is a situation which has come up recently. It is a defect which should be met and it has got nothing to do with the upsetting of the judgment at all, but of considering the terms of the charter itself.

Mr. MACINNIS: On a point of order, Mr. Chairman. As this is an application for an increase of capital by the company, I cannot understand what effect any decision by the Board of Transport Commissioners can have on matters in this House of Commons or in this committee. The Board of Transport Commissioners can deal only with such matters as come before them when an application is made for an increase in rates. Any decision they may make on that is a decision only so far as it applies there. It does not enter into any deliberations in this House of Commons or in this committee, and I think it would be going beyond all reason to say that this committee, when the debate is in the House of Commons, is not free to investigate everything in connection with the British Columbia Telephone Company, the whole of its business,

because in no way can we find out if the increase of capital is justified or not. You cannot shut off this discussion on the point of order raised by Mr. Applewhaite.

The DEPUTY VICE-CHAIRMAN: This bill before us is bill E of the Senate. I do not know, Mr. Green, where this amendment would come in. I suppose it would come in in the preamble. We are considering a bill here. We are not considering a charter. It is an amendment to the charter, and I would be inclined to think that unless you wanted to amend this bill that is before us you cannot go back and bring in the rates that were charged this year or to be charged next year by the British Columbia Telephone Company.

Mr. GREEN: There is the provision in their charter now about the charging of tolls.

The DEPUTY VICE-CHAIRMAN: But not in our bill.

Mr. GREEN: But it is in the charter, Mr. Chairman, and the bill is seeking to amend the charter. Now, this, of course, is the one vital point that affects the people of Canada, the question whether they are going to be charged fair or unfair rates, and parliament in 1916 put in that section, that no toll or charge shall be demanded or taken until it has been approved by the Board of Transport Commissioners of Canada, which board may also refuse such tolls and charges. Now, here is a new situation which has come up during the intervening years. There are various affiliated companies, and the companies are not dealing at arm's length, and unless there is some provision that their charges must be fair then they can simply bill the British Columbia Telephone Company and the ratepayers have got to pay the shot. For example, this Anglo Canadian company which controls the British Columbia Telephone Company has a licensing contract, the charges on which are based on gross revenue. They have to pay, I think, it is now one per cent on gross revenue. It was one and one-half per cent.

Mr. APPLEWHAITE: That is the discussion I am claiming is out of order, Mr. Chairman.

The DEPUTY VICE-CHAIRMAN: You are quite right.

Mr. GREEN: We have got the right to consider this charter when the company comes in and asks for changes in the charter. They have asked that the charter be opened up.

The DEPUTY VICE-CHAIRMAN: May I read to you and other members of the committee the rules and forms of Beauchesne:

785. It is the power of the committee to make alterations in the preamble, either by striking out or modifying such allegations as may not have been substantiated to their satisfaction, or by expunging such as the promoters may be desirous of withdrawing; but no new allegations or provisions ought to be inserted, either in the preamble or the bill, excepting such as are covered by the petition and the notice, as proved before the Standing Orders Committee—unless the parties have received permission from the House to introduce such additional provisions, in compliance with a petition for leave. Every material alteration in the preamble must be specially reported to the House, with the reasons therefor.

I think that is quite clear in its statement that we are considering a bill, and if you wish to bring in an amendment it will have to be brought in when the preamble is being taken up. At the present time I think we should go on with our questioning.

Some Hon. MEMBERS: Hear, hear.

The DEPUTY VICE-CHAIRMAN: And desist from bringing in some new matter that is not contained in this bill.

Mr. GREEN: I might not be able to bring in an amendment to this but that is quite a different thing from being able to discuss this question of the fairness of these charges as between the companies. That rule you quoted simply says that I could not bring in an amendment.

Mr. MACINNIS: Not at this stage.

Mr. GREEN: Not at this stage. I am not trying to bring in an amendment at this stage. I am simply trying to discuss this question which comes up in the opening up of the charter, and I submit to you even though I cannot bring in an amendment I can discuss this question.

The DEPUTY VICE-CHAIRMAN: Have you anything to say on this, Mr. Lett?

Mr. LETT: I will say this, that I think the honourable member's premise, as I gather it, is this, that the board is not able to do certain things relating to certain contracts which he has mentioned. I would like to mention to the committee that the board has done just those things, it has investigated those contracts; evidence was given on the contracts—

Mr. GREEN: It refused to deal with two of them at all; it said they were questions of management.

Mr. LETT: Perhaps my friend would read the judgment or let the judgment to be read in relation to this contract. I think it is not quite fair to put words into the mouths of the Board of Transport Commissioners. The Board of Transport Commissioners is, as I understand it, a regulatory and judicial body set up by parliament itself, and when it gives a judgment it is usually very meticulous in the way that judgment is given. Now, for the honourable member to say that the Board refuses to deal with it, may I, on this point of order, Mr. Chairman, just give a brief reference as to what the Board did say.

Mr. MACDOUGALL: Let us have it.

The DEPUTY VICE-CHAIRMAN: Is it the wish of the committee to have it? Agreed.

Mr. GREEN: If Mr. Lett has the right to do that I think I have the right to refer to all those points.

Mr. MACINNIS: Mr. Chairman, let us be quite clear in what we are doing. Mr. Applewhaite and Mr. Lett, speaking for the company say that this committee of parliament dealing with a bill to amend a charter of the British Columbia Telephone Company are not allowed to discuss certain things in this committee. Now, the whole thing was discussed in the House and the rules that apply in the House apply in committee, and if we are going to gag the committee this way we might as well go home.

Mr. APPLEWHAITE: I do not think my friend, Mr. MacInnis, intended to accuse me of gagging the committee, but I could raise the same point if I were a private member of the committee. I can assure you I have no interest in the outcome of this matter; all I am suggesting is that the matters we are discussing are controversial, lengthy, and can have no bearing whatever on the outcome of our decision, for two reasons: One, that they have no application, and secondly, they have already been ruled upon by a judicial body.

Mr. FERGUSON: I just cannot see Mr. Applewhaite's contention. If during the discussion of this bill something is brought out that would firmly convince members of this committee that they should vote one way or another—after discussion on a certain point, irrespective of whether the Board of Transport Commissioners made a decision—then I cannot see but what these men are going to vote as they see fit. There is no doubt about that, irrespective of any judgment rendered by the Board of Transport Commissioners.

Mr. MACINNIS: Mr. Chairman, Mr. Applewhaite has said that we cannot discuss a decision made by the Board of Transport Commissioners because we

cannot affect what has been done—the judgment that has been made by the Board of Transport Commissioners. We are not trying to affect what has been done by the Board of Transport Commissioners, we are dealing with an application for an increase in capital, and what was said there may affect our decision as to how we are going to deal with the application. So, because of that, we must be allowed to discuss everything in connection with the financial structure and operation of the British Columbia Telephone Company.

Mr. APPLEWHAITE: I agree with you on that portion.

Mr. GREEN: On that point, we debated these very facts in the House of Commons, and your honour, as chairman of the committee, is bound by the same rules as apply in the House of Commons.

Mr. APPLEWHAITE: They were not ruled on?

Mr. GREEN: They were not ruled out; they were discussed by everyone who spoke.

Mr. APPLEWHAITE: They were not ruled out.

Mr. GREEN: If we were unable to discuss them in the House the chairman would not hesitate to rule that we could not discuss them in committee.

Mr. LETT: On a point of order, I would like to make it clear that I made no such suggestion as intimated, in regard to the gagging of the committee on these contracts. Quite the contrary. My suggestion was that the matters to which Mr. Green referred had been fully dealt with in the judgment. I agree with Mr. MacInnis that this parliament has certain duties in relation to the bill which is before it and that the Board of Transport Commissioners had certain duties in connection with the application which was before that body; but I say that when it has been stated that the Board of Transport Commissioners could not and did not deal with these particular matters, the judgment itself shows to the contrary—that the Board of Transport Commissioners did deal with the matter and considered all of these contracts within its jurisdiction; and they did not say they had not any power to deal with it, as Mr. Green states. They dealt with them specifically and it appears in the judgment.

I do not for a moment suggest the committee should be gagged on any matter. All I was suggesting was that the matters had been fully dealt with, evidence had been given in full, the contracts were examined by the Board, witnesses were cross-examined, figures were given, and information to the fullest was given on all the contracts. After all that consideration, after days of sitting and lengthy evidence on these contracts, the Board of Transport Commissioners arrived at certain definitely stated conclusions, and those are contained in its judgment.

Now, Mr. Applewhaite suggested these were matters which as the lawyers say, are *res judicata*. My contention is contrary to Mr. Green's when he says the Board has no power. The Board did the very thing for which he is suggesting that he would propose an amendment. If he would read the judgment instead of giving his interpretation of the judgment I think it would make it clear to the members of this committee precisely what the Board did in connection with this.

Mr. CONACHER: Let us hear it.

The DEPUTY VICE-CHAIRMAN: I am in the hands of the committee here and we have got to do what the committee says but I wonder if we could not carry on with the cross-examination. We will hear any exceptions that are taken and if necessary we will rule on them, but I suggest that you go ahead, Mr. Green.

Mr. GREEN: Mr. Farrell, I have here a chart showing the incorporated relationships of the British Columbia Telephone Company. Would you have a look at that and see if it is correct?

Mr. LETT: Is my friend filing this as an exhibit? We have not seen it before. I again point out that my friend is bringing up other points which, as I gather, are mentioned in the brief of the city of Vancouver. I thought the chairman had ruled that out. I do not want to stop the committee getting the fullest evidence but I do feel, in fairness to the witness and in fairness to the applicants, that we might be advised of the nature of the opposition which Mr. Green is presenting.

By Mr. Green:

Q. Is that the Mr. Gary who is a director of the British Columbia Company?
—A. Mr. Gary is dead.

Q. Theodore S. Gary is now dead?—A. That is the same family, yes.

Q. Theodore S. Gary of this family is a director of the British Columbia Telephone Company?—A. He is a grandson.

Q. Where does Associated Telephone and Telegraph Company fit into this?
—A. It does not, as far as the British Columbia Telephone Company is concerned. Associated is owned by Theodore Gary and Company.

Q. It is another of the Gary companies?—A. Yes.

Q. There is also mention of a Canadian Syndicate Incorporated. Does that have any control over Anglo Canadian?—A. Well, that is an intermediary company.

Q. An intermediary company?—A. Which goes between Anglo and Theodore Gary and Company.

Q. What is the full name of the parent company?—A. Theodore Gary and Company?—A. Theodore Gary and Company.

Q. Is it a Delaware corporation?—A. I cannot tell you.

Q. The headquarters is in Kansas City?—A. In Kansas City.

Q. Does it also control Phillips Electric Works Limited?—A. Associated Telephone and Telegraph Company do.

Q. I see, Theodore Gary and Company controls Associated Telephone and Telegraph Company, and Associated Telephone and Telegraph Company in turn controls Phillips Electrical Works Limited?—A. Yes.

Q. And then Anglo Canadian Telephone Company controls these three district telephone companies to which I referred: Chilliwack Telephones Limited, Kootenay Telephone Limited; Mission Telephone Limited; and also—
—A. North-west.

Q. The radio company on the coast—North-west Telephone Company?—A. That is right.

Q. And does Anglo Canadian also control a company known as Canadian B.C. Telegraphs and Supplies Limited?—A. Yes.

Q. And another company known as Dominion Directory Company Limited?
—A. Yes.

Q. Where are the offices of these companies?—A. The head office is at Vancouver. You are referring to each company?

Q. And the supply company and the directing company?—A. The head office is in Vancouver.

Q. Are they with the offices of the British Columbia Telephone Company?
A. No. Some are and are not.

Q. They are all like the British Columbia Telephone Company; they are controlled by the Anglo Canadian Company?—A. Yes.

Q. I wonder if you could have this chart checked before the next meeting to see whether or not it is accurate.

The DEPUTY VICE-CHAIRMAN: Is it your desire to have it checked, Mr. Green?

Mr. GREEN: Yes, I want to table it.

The WITNESS: I do not know if I am in a position to check it. I can tell you about it to the best of my ability. But I know I am not in possession of all the facts in regard to the Phillips Electric Company and all those other companies.

By Mr. Green:

Q. No, but you have already given me all the information that is on this chart concerning the Phillips Electrical Works Limited. That is controlled by the Associated Telephone and Telegraph Company.

The DEPUTY VICE-CHAIRMAN: Is it your desire to leave this chart and let the officials look it over and rule on it?

Mr. GREEN: Yes.

The DEPUTY VICE-CHAIRMAN: Would you mind saying what it is?

Mr. LETT: Perhaps my friend would tell us where he got that chart. There were charts filed in the proceedings before the Board of Transport Commissioners. This may be one of those charts.

Mr. GREEN: I have this copy of it.

Mr. LETT: If this is a copy of one of those charts, we would be in a position to check it.

Mr. GREEN: This is a copy of the chart filed with the Board of Transport Commissioners.

Mr. LETT: You say it is a copy of a chart filed with the Board of Transport Commissioners. All this information was given by the company to the Board of Transport Commissioners, if this is that chart. My friend says this is a copy of that chart. Am I correct in that?

Mr. GREEN: I believe so. Perhaps you had better check it to make sure.

The WITNESS: No. Maybe you had better check it to make sure.

The DEPUTY VICE-CHAIRMAN: Just a minute. He is asking for the company to check it.

Mr. LETT: Mr. Green produces a chart. He does not know if it is a chart filed in the proceedings and he is asking the company to have it checked.

Mr. GREEN: I am asking if it is correct. The facts are in the knowledge of some of the officers of the company, so before I file this chart I am giving you an opportunity to make sure there is no incorrect information in it.

Mr. LETT: Is my friend asking the company to have this chart checked? If that is the question, we will be happy to do our best.

The DEPUTY VICE-CHAIRMAN: I think that is correct. You want to have the chart checked before it is filed, Mr. Green?

Mr. GREEN: I want to know if the company's officers are going to question any of the facts which are set out in the chart.

Mr. LETT: On this chart, in addition to the names which have been mentioned, there are certain holdings of shares in various items. I am not sure that anyone of the representatives of this company can check that. My friend asked to have it checked before the next session. He is asking to have the share holdings checked with respect to various Delaware corporations. This is the British Columbia Telephone Company's application and as the sponsors of it understood, we would have our officials here to give you all the information we can about the British Columbia Telephone Company. Now, my friend brings in a chart and he does not know where it came from, and he does not know about the information on it and he is not in a position to verify it. Yet he says: Have this chart checked by tomorrow morning.

Mr. GREEN: I am quite willing to file the chart as it is with the committee. But as a matter of courtesy to the company I have said: Do you wish to go over it to see if there is any quarrel with the information set out on it? You are at liberty to do so.

Mr. LETT: Mr. Green is not asking me to check it. He says that he will file it and that I can check it or not as I like. Is that it?

The DEPUTY VICE-CHAIRMAN: Is it the wish of the committee to have this chart filed?

Mr. APPLEWHAITE: I want to know, Mr. Chairman, if it is going to be filed, who is assuming the responsibility for it?

Mr. FULTON: I think this might be settled on a point of order. Mr. Green says: Here is a chart which I believe correctly represents the corporate nature of the British Columbia Telephone Company and I want to have it on the record. Now, if the company wishes to raise any objection to it before I put it on the record, they can do so, and I shall not file it until tomorrow morning; and if they wish to check it in the meantime, here it is and I am prepared to file it. It is up to the company to say whether or not they wish to check it before Mr. Green files it.

Mr. LETT: I do not want to prolong the discussion, Mr. Chairman, but as I understand it Mr. Green tenders this chart and he says: This is my information; does it set up correctly the relationship between these corporations? And he asks me to have it checked before the next morning. I would like to have it made clear on the record. If my friend, as he now suggests, is going to file this chart as an exhibit, then I am going to object to the exhibit being filed for what it is worth. But for anyone to come along and say: I do not know where this information came from; I do not know if it is correct or not, but I would like to file it; I think that is rather a low standard of evidence for my friend to be putting in. But if my friend will adhere to his original request and say: Here is a chart. Will you have it checked and tell me if it is correct or not? I am sure we would not hesitate to examine and to the best of our knowledge and ability accommodate him. That would be a fair request; but not to bring it in upon five minutes' notice.

Mr. GREEN: That would be quite satisfactory.

Mr. LETT: We will do our best to check the chart and if there are errors in it, we will call them to your attention and show them to you.

Mr. GREEN: I do not wish to quarrel about it.

Mr. FERGUSON: Mr. Green or any other member of the committee has the right to bring in a document without any notice, be it five minutes or anything else, and without notice to any witness at any time.

The DEPUTY VICE-CHAIRMAN: That is quite correct. If Mr. Green wants it filed, that is his responsibility and it will be filed. And if Mr. Green wants the company to check it and tell him if it is correct, it may be tabled.

Mr. BYRNE: Mr. Chairman, is this to be a question period or not? I suggest that Mr. Green ask the witness in each and every one of these cases if that is so; he can ask questions as to whether that relationship is so and the witness can say "yes" or "no". That would definitely settle it.

Mr. GREEN: I do not think that Mr. Farrell can be expected to do that. And when going over the chart I have asked him about the main parts of the family tree. But there are other facts set out in the chart that he could not speak about at the moment.

The DEPUTY VICE-CHAIRMAN: Would it be agreeable to the committee to let this chart rest until tomorrow morning when the officials will be prepared to say whether or not it is correct? If that policy is adopted, then it will not be tabled until further discussion.

Mr. LETT: There may be some information on it which I doubt is available to us here in Ottawa. But as far as we can, we will check the chart between now and tomorrow morning.

Mr. JAMES: Mr. Chairman, might we ask who prepared this chart, or anything of that nature?

Mr. GREEN: Well, I believe this is a copy of the chart which was filed by the city at the hearing last year, and to which the telephone company agreed.

Mr. LETT: I do not know. It looks like a chart we gave to the province of British Columbia counsel here.

The DEPUTY VICE-CHAIRMAN: Could we go on with our questioning now?

By Mr. Green:

Q. Mr. Farrell, there is what is called a licensing contract, apparently, between the British Columbia Telephone Company and Anglo Canadian Telephone Company under which 1 per cent of the gross revenue is paid to Anglo Canadian Telephone Company each year under a service contract; is that correct?—A. Yes.

Q. For what services is that payment made?—A. Financial and technical.

Q. What would that include—financial and technical?—A. Assistance in regard to all our financial matters.

Q. And that amounts to quite a substantial sum, does it not, in the years?—A. Yes, it is a similar contract that every large American telephone company has with the parent company.

Q. For example, in 1950 your annual report shows that your operating revenue was over \$16 million; would this fee of 1 per cent be charged on that \$16 million for 1950?—A. Approximately, yes.

Q. That would be about \$160,000?—A. Yes.

Q. And Anglo Canadian is, in effect, really an investment company?—A. Yes.

Q. I have your report for 1950 in which it is described as an investment company; that is correct?—A. Well, if you have read it, it must be.

Q. No, but that is an actual fact, that it is an investment company—it is not an operating company?—A. No.

Q. And this fee of \$160,000 last year is paid to Anglo Canadian under this so-called licensing contract?—A. Yes.

Q. How long has that rate been 1 per cent?—A. I could not tell you, Mr. Green. It used to be $1\frac{1}{2}$ per cent, but it was reduced.

Q. It was reduced shortly before the hearing before the Board of Transport Commissioners last year?—A. We have had so many dates lately, I could not tell you.

Q. Perhaps we could find out?—A. Well, you probably have the date there yourself, and you could tell me.

Q. Well, I am not sure whether you would accept that statement or not.

Mr. LETT: Mr. Chairman, the date is set out in the judgment of the Board of Transport Commissioners, if my friend would like to read it.

By Mr. Green:

Q. The Board of Transport Commissioners held that that was a management fee, did they not?—A. We spent many hours on evidence and cross-examination of it, yes.

Q. That fee of \$160,000 is included in the amounts levied against the phone users as rates?—A. Oh, yes.

Q. And then, the British Columbia Telephone Company has a contract with Canadian B.C. Telephones and Supplies Limited?

Mr. LETT: I do not want to interrupt, but my friend has read a statement into the record that the Board of Transport Commissioners has held this to be a management fee.

Mr. GREEN: No; a matter of management.

Mr. LETT: I beg your pardon.

Mr. GREEN: A question of management.

Mr. LETT: I am sorry, but would my friend care to read what the Board of Transport Commissioners said on it? I am rising on a point of order.

The DEPUTY VICE-CHAIRMAN: Do you want that read in?

Mr. GREEN: It is all set out in this brief.

The WITNESS: Oh, no it is not.

Mr. GREEN: There is a contract also with this supply company?

The WITNESS: Yes.

Mr. LETT: Have we dealt with the point of order? I do not want to be a nuisance to my friend, or interrupt him, but I do think in fairness to the members of the committee, if he is going to say what the Board of Transport Commissioners said, then I think he ought to say what they said, and not give his interpretation of what the Board of Transport Commissioners said, and then base a question to the witness on that. The judgment is a document of record, Mr. Chairman, and is available. If my friend does not want to read it—

Mr. GREEN: I do not mind reading the whole thing—and a whole lot of things that the Board have said. The point is that this charge to the parent company was recognized by the Board of Transport Commissioners.

Mr. LETT: Yes.

Mr. GREEN: And they refused to hold it was not a proper charge.

The WITNESS: What did you say?

Mr. GREEN: The Board of Transport Commissioners refused to hold that it was not a proper charge—in other words, they took it into consideration.

The WITNESS: I think they held it was a proper charge.

Mr. GREEN: Well, I said the same thing in reverse.

The WITNESS: You are always doing that.

Mr. LETT: It would be simple and more helpful if you read what the Board of Transport Commissioners said.

The DEPUTY VICE-CHAIRMAN: Is it the wish of the committee we should hear that?

Some Hon. MEMBERS: Yes.

Mr. LETT: Speaking of the service contract first, I would like to read this extract of what the Board said: I refer to the judgment of the Commissioners on page 222:

A contract between the company and the Anglo Canadian Telephone Company was filed as Exhibit J-1. The contract is commonly referred to as the "Service Contract" and by its terms the Anglo Company grants patent rights, and furnishes expert advice on all phases of telephone matters. The contract provides for payment by the company of one and one-half per cent of gross telephone revenue, which payment was reduced by mutual agreement to one per cent on January 1, 1949.

That is the date my friend asked for.

Mr. Hamilton stated that the service received under the contract was of valuable assistance to the company; that it was a common type of agreement to other telephone companies; that the Bell Telephone Company of Canada had offered a similar, but limited, type of agreement which was not acceptable in preference to that now in effect; that the chief value of the contract is in the assistance given in solving problems and the economies effected thereby; that the company did not maintain a research staff or laboratory, and to do so would involve heavy cost. On cross-examination Mr. Hamilton pointed out that the board had approved a similar type of contract in the 1927 Bell case; that the company secured full protection under the contract against any claims of infringement of patents; that the payments under the contract were not allowed as an expense by the dominion income tax authorities only because such contract had not received the approval of the board; that the reduction in the rate of payment was effected by negotiation having in mind the increased revenue which would accrue to the Anglo Company as a result of the proposed rate increase; that the automatic increase in payment which would result from a rate increase was similar to what would occur in payments to the City of Vancouver for use of streets.

That is the extract from the summary of the evidence.

This is the judgment dealing with the service contract, and I am quoting from page 239 of the judgment of the Board in the proceedings of October 16:

I do not propose to go extensively into the matter of the so-called service contract, which has been objected to by respondents to the point where it is suggested the expense incurred by the company should be disallowed for rate-making purposes.

Mr. GREEN: This is the Anglo Canadian contract?

Mr. LETT: This is the service contract.

Mr. GREEN: With the Anglo Canadian?

Mr. LETT: Yes.

The contract which is set out in Exhibit J-1 is similar in all terms to that of the Bell Telephone Company of Canada with the American Telephone & Telegraph which was dealt with extensively in 1927 case (Vol. 16, J.O.R. & R. p. 245), except that the Bell contract includes the performance of certain work and that here involved does not.

The contract is also similar to service contracts, or licences, in the United States. Witness Magill laid some stress upon disallowance—

I might explain witness Magill was the expert witness retained by the city of Vancouver to assist Mr. Brakenbridge and Mr. McTaggart in their deliberations.

—of at least two such contracts, i.e., Oregon and California where the regulative bodies had rejected them and required that payments thereunder be no more than reasonable cost incurred in rendering the service. It was shown that the Oregon decision was chiefly founded upon the specific requirements of the relevant statute—a condition not here existent; and it was also stated that the California decision was under appeal. Subsequent to the close of the present case—

That is the British Columbia Telephone rate case.

—the decision of California Supreme Court has been handed down and it reverses the decision of the Public Utilities Commission. The probative value of these two cases is therefore doubtful.

The only matter we have to consider, in my opinion, is whether a reasonable and necessary service is obtained from the expenditure incurred

by the company. It is suggested that the payment of money by the company to Anglo Canadian Telephone Company far exceeds the amount paid in turn by that company to the affiliates who actually provide the service.

I may say, Mr. Chairman, the evidence showed Anglo did not render this service itself, but it did have affiliates which did render service.

This, in my opinion, goes far beyond the board's jurisdiction. A witness for the Anglo Canadian Telephone Company testified that laboratory services were available to the company under the contract, that a staff of technicians and experts were at the company's command, that certain costs of maintaining these facilities were incurred and, in turn, defrayed by the contributions received under the contracts.

Responsible and admittedly honest and sincere officials of the company testified to the unqualified value of the service to the company, that it was difficult to place a dollar value on such service, and that it was essential to the successful continuance of providing telephone service.

As opposed to this testimony we have only the opinion by Mr. Magill, witness for the City of Vancouver, that he would doubt the expenditure for the provision of the service that he believed the company, with its staff and technical information available, could operate "without payment of a percentage of its revenue to some parent company".

The conditions of, and the objections made to, the contract here under review are so similar to those discussed in our 1927 Bell Telephone Company judgment that they hardly require further discussion.

In my opinion, the contract is bona fide and is a means whereby the company obtains valuable patent rights, and export service.

Then they go on to say witness Magill admitted on cross-examination, and so on. Now, I quote from the bottom of page 240:

Objection also is taken to the automatic increase or decrease in the aggregate payment under the contract by reason of the basis of one per cent of gross telephone revenue. It would be reasonable to expect that in the absence of the contract the use of patented devices would entail royalty payments. The usual basis of such payments is related to the value obtained therefrom and are consequently fluctuating. Payments for technical and expert advice on a professional fee basis could easily exceed the payment provided by the contract, and if it did I doubt the ability of the respondents, or the board, to measure precisely the value of the service received by the payment demanded.

Under the contract the company receives the service and rights it requires for a maximum sum which can be approximately estimated and provided for.

Upon consideration of all that has been placed before us I find no reason to disallow for rate-making purposes the payments under the contract and consider they are legitimate and necessary expenditures by the company for the service rendered and are properly chargeable to the operating expenses of the company.

That is what the Board said.

Mr. GREEN: May I ask, Mr. Lett: it is clear from that judgment that these services rendered were not actually rendered by Anglo, but by the other companies? I understood that.

Mr. LETT: I think it is quite clear.

Mr. GREEN: What was the figure given as the fee which was paid by Anglo to these other companies for the service?

Mr. LETT: I cannot remember that. I do not think it is in the judgment. It was 1 per cent of the gross revenue, paid by B.C. Telephone to Anglo.

Mr. GREEN: Yes, but what did Anglo in turn pay to its parent company for the service?

Mr. LETT: Anyway, it was a very small amount for these services.

Mr. GREEN: About \$3,000.

Mr. LETT: It might have been \$3,000.

Mr. GREEN: I thought the British Columbia Telephone Company paid over \$100,000.

Mr. LETT: Yes. The board dealt with that in the judgment.

Mr. GREEN: I want to get that fact clear.

By Mr. Green:

Q. Then, Mr. Farrell, there is also a contract between the British Columbia Telephone Company and Canadian British Columbia Telephone and Supplies Limited, is there not?—A. Yes.

Q. What is the arrangement between those two companies?—A. That is a matter of detail on which I would ask Mr. Hamilton. He is the operating vice president and he has those details at his finger tips. I would have to refer to the contract itself.

Q. You are not in a position to explain?—A. No.

Q. And also there is a contract between the British Columbia Telephone Company and the Dominion Directories Company Limited?—A. Yes.

Q. What is the basis of that contract?—A. That also is an operating matter and the details of that I would like you to ask Mr. Hamilton for.

Q. You do not know about that?—A. In generalities, yes, but he can give you the detail quickly.

Q. And, Mr. Farrell, would you have, you must recognize this, you realize that the position that there are these affiliated companies having contracts between each other. Would you have any objection now, as president of the company, to there being a provision written into your charter that the Board of Transport Commissioners should take into consideration in arriving at a rate the reasonableness of these contracts between the affiliated companies—would you have any objection to that?—A. That being a legal matter I would have to discuss that with my attorneys. I could not give you any offhand judgment on that. I do not know what position would result.

Q. I am not asking and I understand the city has never asked anything beyond having it perfectly clear that the board should consider the reasonableness of these contracts between the affiliated companies.—A. They certainly have done that.

Q. I beg your pardon?—A. They have put us right through the hoops and they have done that.

Q. For example, the contract with the directory company, did they deal with the reasonableness of that charge?—A. I think so, definitely.

The DEPUTY VICE-CHAIRMAN: Are you talking about the one that was just read?

Mr. GREEN: No, the other one.

Mr. LETT: The board's judgment deals very fully with it, Mr. Chairman, and whether it deals with the reasonableness of the—I do not know what my friend is talking about—the reasonableness and prudence and propriety of the contract are the very things that the board has taken into full consideration and that is what it points out in the judgment. When my learned friend asks if this judgment dealt with that, I think the judgment ought to speak for itself.

Mr. GREEN: Perhaps, Mr. Farrell, you could give some consideration to my question as to whether or not the company would have any objection to such a provision being written into their charter?

Mr. LETT: Could you repeat that, Mr. Green?

The DEPUTY VICE-CHAIRMAN: Would you repeat that provision you were asking for?

Mr. GREEN: Whether the company would have any objection to there being a provision written into their charter, for example, as an addition to paragraph 16, section (1), clause (k), which deals with the setting of tolls, to the effect something like this, "and the said board in determining any such toll or charge shall take into account the reasonableness of any amounts paid or payable by the company to an affiliated company."

The DEPUTY VICE-CHAIRMAN: Before that is answered, Mr. Green, I think I should point out that it is not within our order of reference and I do not think you should ask Mr. Farrell that question.

Mr. GREEN: I am simply asking Mr. Farrell whether the company has any objections to a provision of that kind.

The DEPUTY VICE-CHAIRMAN: I do not think Mr. Farrell should answer that question. I do not think it is within our order of reference at all.

Mr. GREEN: Well, would Mr. Farrell take that into consideration or would he not?

The WITNESS: We would be glad to consider it.

The DEPUTY VICE-CHAIRMAN: Are there any other questions of the witness?

Mr. FERGUSON: Mr. Chairman, I think that we are spending a lot of time here on matters that have been before the Board of Transport Commissioners or are going to go there. This company has been before them and their rates have been very thoroughly gone into. I want to be fair—

Mr. BYRNE: Is this a question period now?

Mr. FERGUSON: I want to be frank about this matter. We are asked to reject this proposal or recommend it. As members of this committee we have heard very little evidence to show that anybody is objecting to it. We have had very little information to be able to pass on this matter.

Mr. BYRNE: I would like to ask a question.

Mr. FERGUSON: It simply comes down to the fact that we are just about rubber stamps.

The DEPUTY VICE-CHAIRMAN: I must object to that, Mr. Ferguson. We are hearing evidence at this time and we cannot make up our minds until we have heard all of the evidence that is going to be given. Yours is a rather far fetched statement and I do not think you should make it.

Mr. FERGUSON: I will withdraw it, because I did not mean it in that manner. I do say a majority of the members of this committee know very little about this.

Mr. BYRNE: I would like to ask a question. There is something I would like to know.

Mr. FERGUSON: There is no doubt about that we do not want this telephone company to believe that we are trying to impede the progress that apparently this company is making in the province of British Columbia. So far I have not heard a great deal, I must be frank in saying it, to convince me that we should not simply say these men know their business—

Some HON. MEMBERS: Hear, hear.

Mr. BYRNE: It is not quite clear to me yet. It appears that \$3,000 is all that was required by the Anglo Canadian Company to pay for the relevant information required to carry out their commitments to the British Columbia Telephone Company of Canada, yet they did receive \$160,000 for that. There must be some explanation.

Mr. MACINNIS: It was \$181,000.

Mr. BYRNE: There must be some explanation for the difference between \$3,000 and \$181,000.

The DEPUTY VICE-CHAIRMAN: Once again, I think the Board of Transport Commissioners is quite explicit there when they stated that whatever it was sufficient and apparently desirable. I do not think we should go into that any further.

Mr. GREEN: They refused to go into the question of how much Anglo Canadian had paid to the senior company.

Mr. MACINNIS: Personally, I am not speaking about that, but I do not think the Board of Transport Commissioners are God Almighty and that we cannot question anything that they say.

I rose to question Mr. Farrell at the opening of this session on a matter I took up with the Board of Transport Commissioners in regard to the regulation or jurisdiction of the British Columbia Telephone Company. I have the material now and I will state it as quickly as possible.

There was a petition from the residents of Forest and Garden streets in southeast, Burnaby. A letter from the spokesman for the residents of those streets was sent to Mr. E. E. Winch, M.L.A. at Victoria. I will read the first paragraph of the letter or, if you want me to file it I will be glad to do so. It says:

Dear Mr. Winch:

Attached is a petition signed by fifty-two residents of Forest and Garden streets in South Burnaby, B.C. This petition is for the immediate institution of steps for the establishment of telephone service to the residents of this area. It is signed by all but four of the residents, one of whom has a telephone, another a B.C. telephone employee, and two who were unavailable for signature.

I think that is enough. Mr. Farrell says he did not know anything about this but in the letter it says that:

A signed copy of this petition is being forwarded to the company and to the chairman of the Public Utilities Commission under even date.

It is signed by Mr. A. Munroe MacLean for the petitioners.

Mr. Winch sent the petition and a copy of the letter to the chairman of the Public Utilities Commission in Victoria and he got this reply:

Ernest E. Winch, Esq., M.L.A.,
Legislative Assembly,
Buildings.

Dear Sir:

In reply to your letter to the Chairman of February 28th, I am directed to advise that B.C. Telephone Company is under Dominion jurisdiction.

Mr. A. M. MacLean, who sent to the Commission the petition from residents of the Forest and Garden streets area, has been so informed and the petition has been returned to him.

Yours truly,

(Sgd) A. B. JACKSON, Secretary,
Public Utilities Commission.

Following that, Mr. Winch sent the petition to me and I sent it to the secretary of the Board of Transport Commissioners with the following letter:

Dear Mr. Baillargeon:

I am enclosing herewith copy of a letter and petition which was forwarded to Mr. E. E. Winch, M.L.A., by residents of Forest and Garden Streets in South Burnaby, British Columbia. The letter is self explanatory and in brief alleges discrimination by the B.C. Telephone Company in allocating residential telephones.

Mr. Winch forwarded the letter and the petition to the Chairman of the Public Utilities Commission at Victoria. The Public Utilities Commission informed him that the Commission had no authority in the matter as the B.C. Telephone Company is under Dominion jurisdiction. I do not know if the Board of Transport Commissioners has any authority in the matter complained of. However, I am forwarding the petition to you as the Board of Transport Commissioners has jurisdiction over the B.C. Telephone Company.

Yours sincerely

Signed by myself. That letter was dated March 16th, 1951, and under date of March 19th I have the following reply from the acting secretary of the Board of Transport Commissioners addressed to myself at the House of Commons, Ottawa:

Dear Sir:

I am directed to acknowledge receipt of your letter of the 16th instant, enclosing copy of petition from the residents of South Burnaby, B.C., regarding allocation of residential Telephone, which is returned herewith.

I would point out, for your information, that the Board has never considered that its powers with respect to telephone companies extend to the matter of furnishing or dealing with telephone service. Such powers as the Board possesses are limited to matters affecting the tolls charged for the service.

Under the circumstances the Board is unable to be of any assistance.

The petition, according to the letters I have read, was sent to the company, and what I would point out is that there seems to be no body, no governmental body of any kind, that has any jurisdiction over the operation of the British Columbia Telephone Company excepting the Board of Transport Commissioners in the matter of rates.

The DEPUTY VICE-CHAIRMAN: Are there any other questions to be asked of this witness? If not, can we have the next witness?

Mr. GREEN: I move that we adjourn; we have got to get into the House.

The DEPUTY VICE-CHAIRMAN: Could we just call the next witness?

Mr. JONES: Before we call another witness it seems to me that the whole discussion so far has revolved around the business of the increase in the capitalization and we have been relating the increase to the present capitalization. I was wondering if it would not be fair to the committee if we could have the relation of the increase to the total net assets of the company.

The DEPUTY VICE-CHAIRMAN: Do you want to ask a question?

Mr. JONES: I would like to know the total assets of the company at the present time in relation to the increase—

Mr. MacDOUGALL: On a percentage basis?

Mr. JONES: We could work that out.

The DEPUTY VICE-CHAIRMAN: When shall we meet again?

The WITNESS: I did not understand your question, Mr. Jones.

Mr. JONES: My question is with respect to the net assets of the company at the present time; I mean the capitalization and the gross value of the company.

The WITNESS: You mean the plant value?

Mr. JONES: Everything, yes, your assets as shown on the balance sheet.

The WITNESS: The fixed assets you are referring to, as of the 31st of December, 1950, were \$61,290,386.59; and about \$2 million of stores would have to be added to that figure as well.

Mr. FULTON: Could you give us the main subdivisions of the balance sheet showing what your assets consist of?

The DEPUTY VICE-CHAIRMAN: Do you want him to file the balance sheet of the company? Would you like to file a copy of the balance sheet?

Mr. FULTON: If it is filed it would take about two weeks to be printed.

The DEPUTY VICE-CHAIRMAN: Have you got enough copies of that balance sheet down here for distribution to the members? Can it be made available to them by tomorrow morning?

The WITNESS: We can have some copies of it struck off right away.

Mr. LETT: Possibly I might read the items into the record. I would be glad to read them.

Mr. JONES: I think it would give us a clearer picture if we got your present assets and the capital needed for expansion rather than tying it up with the \$25 million nominal capital.

The WITNESS: Shall I read all the items on the balance sheet?

Mr. FULTON: No. Just read the headings.

The WITNESS: The fixed assets are as I have given them, \$61,290,386.59.

There is a sinking fund deposit with trustee for redemption of fifteen year 4 per cent notes in the sum of \$129,767.42. The current assets consist of cash in bank, \$4,750,690.57; Dominion of Canada bonds at cost \$3,988,000; Accounts receivable, less reserve for doubtful accounts, \$1,295,205.22; Material in stores at cost; physical inventories last taken September 30, 1950, \$1,996,012.42; Unmatured interest receivable, \$14,056.37; Deferred charges, \$676,366.60; Pre-paid expense, \$357,226.02, making a grand total of \$74,497,711.21.

Mr. LETT: As at the 31st of December, 1950.

The WITNESS: Yes, as at the 31st of December, 1950.

The DEPUTY VICE-CHAIRMAN: Are there any more questions? May we decide before we go what witnesses we will have tomorrow morning? Do you propose to carry on with Mr. Hamilton of the company? Or would you rather have counsel for the Board of Transport Commissioners?

Mr. HERRIDGE: Mr. Chairman, I think that one or two of us wanted to ask a few questions and I think I heard the name of Mr. Hamilton mentioned as being the operating director. So could we have Mr. Hamilton as the witness at our next meeting?

The DEPUTY VICE-CHAIRMAN: If that is the wish of the committee, it is agreed. Mr. Hamilton it will be, then.

Mr. FULTON: Perhaps you could have the solicitor for the Board of Transport Commissioners present as well, if it is not too much of an imposition.

The DEPUTY VICE-CHAIRMAN: I wonder if we should not have him later on? Do you want him to be here while the company is giving their evidence?

Mr. FULTON: I think it is conceivable that we might finish with Mr. Hamilton and then we could go right on with the solicitor for the Board of Transport Commissioners.

The DEPUTY VICE-CHAIRMAN: I think we could get him, but we have another witness from the city and I think we could take these witnesses as we go along. However, if the committee wishes it, we can have the counsel for the Board of Transport Commissioners and we can call him, if you want him tomorrow, or at the next sitting of the committee with the executive vice-president of the company. I think that will be quite satisfactory.

Mr. SMITH: Mr. Chairman, what time shall we meet tomorrow?

The DEPUTY VICE-CHAIRMAN: Yes, what time shall we meet tomorrow?

Mr. SMITH: There is a caucus at 11:00 o'clock in the morning.

Mr. MACDOUGALL: Yes, and it will be held in this very room.

The DEPUTY VICE-CHAIRMAN: I suppose the quickest we can meet here will be at 3:30 tomorrow, and we are not making very fast progress on this thing. We should get along as rapidly as possible. Perhaps we could get another room.

Mr. MACDOUGALL: It is not necessary we have such a large room as this.

Mr. GREEN: There are 60 members on the committee.

The DEPUTY VICE-CHAIRMAN: We have got to have space for them all, if they all come.

Mr. FULTON: Is not room 420 big enough?

The DEPUTY VICE-CHAIRMAN: Yes, but the time is not convenient. There is a government caucus tomorrow.

Mr. FULTON: It is a Liberal party caucus: They have often had committee meetings when we have been having a caucus.

The DEPUTY VICE-CHAIRMAN: We have another question coming up on Monday morning: It has been suggested there are two pipeline bills which I think are non-controversial and it has been suggested we could meet on Monday at 10 o'clock and get those two bills through in an hour, and then come back to this one. If that is the wish of the committee, we can do that.

Mr. FULTON: I do not think it is fair to keep the B.C. Telephone officials here from now until Monday without having another meeting, and if it is really felt we cannot meet while the Liberal party is having a caucus tomorrow, we should surely meet tomorrow afternoon.

The DEPUTY VICE-CHAIRMAN: It was suggested we meet tomorrow at 3:30 or 4.

Mr. APPLEWHAITE: I think 3:30 would be agreeable to everybody.

The DEPUTY VICE-CHAIRMAN: Is it the wish of the committee to meet tomorrow afternoon at 3:30 here?

Carried.

EVIDENCE

HOUSE OF COMMONS,

June 8, 1951.

The DEPUTY VICE-CHAIRMAN: Gentlemen, a quorum having assembled we will carry on with our business.

Mr. APPLEWHAITE: Mr. Chairman, if I may, as I did yesterday, I would like to recall Mr. Lett to answer some of the questions which were asked yesterday and for which answers were not available. I understand Mr. Hamilton will follow as a witness.

The DEPUTY VICE-CHAIRMAN: Is it the pleasure of the committee to hear Mr. Lett now?

Agreed.

Mr. GREEN: Before we go on with that, there was the request made yesterday that a copy of the documents sent down to the Vancouver members by the city council of Vancouver should be distributed. They are now available here for distribution to the members. I would move that they be printed as an appendix to today's proceedings.

The DEPUTY VICE-CHAIRMAN: Any objections?

Mr. APPLEWHAITE: I have no objection but I would like to ask whoever is sponsoring the distribution of these documents to indicate what they are. I understand they are not a brief to this committee. I understand, subject to correction, that they are a report made to the City Council by a subcommittee appointed by that council, and I would ask Mr. Green if he would put in the record just what these are so we would know if they are official or unofficial and if they are directed to this committee or directed to the city of Vancouver city council.

Mr. GREEN: The documents consist of a report from a committee appointed by the Vancouver city council to the mayor and council, and then in addition to that there is what is described as excerpts from a report dated December 8, 1950, made by Messrs. D. E. McTaggart and C. Brakenridge to His Worship the Mayor and the members of the City Council. These two documents were sent to the Vancouver members of the House and I understand Mr. Lett said yesterday that they were also sent to him. Now, strictly speaking, I do not suppose it could be called a brief, but that is the explanation of what these documents are.

Mr. APPLEWHAITE: I would like to ask one more question, Mr. Chairman. I do not think Mr. Green will object. The second report to which you referred, dated, I believe you said, some time in 1950, was in connection with what—with this application or some other application?

Mr. GREEN: What do you mean by the second one?

Mr. APPLEWHAITE: You said this was a report and attached to it were excerpts from another report. I understand that the second report from which excerpts were taken was not made in connection with this application. Is that right?

Mr. GREEN: As I understand it, the letter to the mayor and council was dealing with the application for a private bill by the British Columbia Telephone

Company, and attached to that letter were these excerpts from a report which had been made previously by Mr. McTaggart and Mr. Brakenridge.

Mr. APPLEWHAITE: In connection with what?

Mr. GREEN: That report from which these excerpts were taken was in connection with the judgment of the Board of Transport Commissioners on the application for an increase in rates which was heard in January of 1950.

Mr. GOODE: Actually then, Mr. Chairman, following those remarks of Mr. Green, this is not an official submission from the mayor and council of the city of Vancouver, is it?

The DEPUTY VICE-CHAIRMAN: I do not know. Mr. Green, is this an official submission to us?

Mr. GOODE: It is not signed by the mayor.

The DEPUTY VICE-CHAIRMAN: Is it from the city of Vancouver?

Mr. GREEN: These papers were sent to each of the Vancouver members.

The DEPUTY VICE-CHAIRMAN: Who sent them?

Mr. GREEN: The Vancouver city council.

The DEPUTY VICE-CHAIRMAN: Did the Vancouver city council ask to have this brief submitted to this committee?

Mr. GREEN: These documents were sent to the members from Vancouver, and yesterday Mr. MacDougall read from these papers and Mr. Lett mentioned them and read from them, and I read from them, and the members of the committee asked that each member be given a copy.

The DEPUTY VICE-CHAIRMAN: Is there any objection to having this brief tabled and printed as an appendix?

Mr. GOODE: Mr. Chairman, I do not see the value of this, actually. What this is is a committee report to the Vancouver city council. We have no evidence whatsoever that it has been adopted by the city council of Vancouver; is that right?

Mr. MACDOUGALL: Yes.

Mr. GOODE: Then, anyone can submit a brief, if you call it a brief, of this type, on any matter at all. It has no official significance at all.

Mr. MACINNIS: Mr. Chairman, I believe this material came to each member for the city of Vancouver, from the legal department of the city of Vancouver with a covering letter signed by Arthur E. Lord, who, I think, is corporation counsel, and it is my understanding—I have not got the authority at the moment in my hands in writing—that this has been approved by the Vancouver city council and is sent here as the attitude of the Vancouver city council towards the application for the bill to be presented by the British Columbia Telephone Company, and as such I think it would be very unwise of this committee not to allow this communication to be tabled here for the information and guidance of the members of the committee. Each member is his own judge in the matter as to what value or weight he wishes to give it, but it surely would be tabled.

Mr. GREEN: May I read the letter from Mr. Lord?

The DEPUTY VICE-CHAIRMAN: Just a minute before you read that. Is this brief on which we have your views, this paper which I have just been given, to be presented by somebody else later on? Is that to be presented later on by one of the other witnesses, and is this to be used as the basis of argument in this committee?

Mr. GREEN: Mr. Brakenridge can substantiate that. I have a letter here which was written to me forwarding the brief.

Mr. MACINNIS: I think that should be read.

Mr. GREEN: This letter is dated the 13th of February, 1951.

The DEPUTY VICE-CHAIRMAN: Before you read the letter, will you tell me if this brief is to be presented by somebody from the city of Vancouver or are you presenting it as an argument for yourself?

Mr. GREEN: I will take the responsibility for filing it on my own, if you wish.

The DEPUTY VICE-CHAIRMAN: I do not think there is any objection to that.

Mr. GREEN: I would like to read this letter into the record.

The DEPUTY VICE-CHAIRMAN: Mr. Murphy, have you something to say?

Mr. MURPHY: I think the time to discuss the admission of this brief was when someone first referred to it yesterday.

The DEPUTY VICE-CHAIRMAN: We stopped that discussion yesterday.

Mr. MURPHY: It has been the practice in committee, when any document is referred to, that that document must be tabled; and as to what the brief contains, that is a matter for the committee, and for those who are going to consider the evidence, to determine at a later date. I think in all fairness to the members of the committee that now that the brief has been referred to by different members of the committee three times yesterday, you have no alternative but to accept the submission, or whatever it might be called, into the evidence.

The DEPUTY VICE-CHAIRMAN: Mr. Conacher.

Mr. CONACHER: May I ask if the city of Vancouver is sending down any witnesses or any representations to further their cause which is covered by this brief or this thing that is so contentious.

The DEPUTY VICE-CHAIRMAN: This is not contentious, Mr. Conacher. Are witnesses coming down from the Vancouver city council, Mr. Green?

Mr. MACINNIS: Mr. Chairman, we should tell the members that there is a representative from the city of Vancouver here who will present the case for Vancouver in due course.

The DEPUTY VICE-CHAIRMAN: We have a brief here which, as far as I can see, it is all right to accept and to print as an appendix. If that is the wish of the committee we will accept it and print it as an appendix.

Mr. LETT: Before that question is put, Mr. Chairman, may I say a word? I, of course, would not presume to object to any document presented by any member of this committee because I understand the Chairman will accept this, but I would like to add a word to the chairman's remarks and ascertain precisely the status of this document. Mr. Green as I understand, says he takes the responsibility for filing or distributing this document to the members of this committee. Now, it is not primary evidence. Without being technical, what I would like to know is who is taking the responsibility for the statements which are in this brief, which is now before the committee? If Mr. Green is taking the responsibility for those statements as well as for the distribution and for the relevancy or accuracy of those statements then I think perhaps the course he suggests might well be open to objection, but if he is not taking any responsibility for this document, which I understand is unsigned, then I feel, Mr. Chairman, before the committee accepts it they might know at least who is going to take the responsibility for the relevancy or accuracy of the statements in this document.

Mr. GREEN: I submit, Mr. Chairman, that it is not within Mr. Lett's prerogatives here to raise a question of that kind.

Mr. APPLEWHAITE: I object.

The DEPUTY VICE-CHAIRMAN: That is correct.

Mr. GREEN: I have here a letter with which these papers were forwarded to me.

The DEPUTY VICE-CHAIRMAN: Does the committee wish to hear this letter? Agreed.

Mr. GREEN: It is dated February 13, 1951 and addressed to myself. I will read it.

Dear Mr. Green:

Re B.C. Telephone Company: Application for Private Bill

The B.C. Telephone Company's application for a private bill which would allow for an increase of their authorized capital from twenty-five million dollars to seventy-five million dollars has had the consideration of the council of the city of Vancouver.

I enclose herewith a report of Alderman Fisher, chairman of the Utilities and Airport Committee, and myself. The recommendations contained therein were approved—

And this is significant, the recommendations contained therein were approved by the council.

—by the council and I draw your attention to the last paragraph.

So that you will have a fuller understanding of the reference to the licence, supply and directory contracts, I am enclosing excerpts from a report prepared by Mr. D. E. McTaggart, K.C., former corporation counsel, and Mr. Charles Brakenridge, former city engineer, and presented to and approved by the city council following the delivery of judgment by the Board of Transport Commissioners respecting the telephone company's application in 1950 for rate increases.

The council has considered the advisability of sending one or more representatives to appear when the bill is being considered in committee, but no definite decision has yet been arrived at.

Yours truly,

(Sgd.) Arthur E. Lord,
Corporation Counsel.

Now that clearly shows the authenticity of this paper, and, as I said before, Mr. MacDougall read extracts from it, and I submit it is only reasonable the whole document should be on the record rather than a paragraph here and a paragraph there, especially as there was dispute as to what it contained.

The DEPUTY VICE-CHAIRMAN: Is it the pleasure of the committee to accept this document and have it attached to the report of the committee as appendix A, on Mr. Green's presentation?

Mr. MOTT: Mr. Chairman, in reference to the letter which Mr. Green has just read, I note it is from the committee appointed by the council, and the letter is worded from a solicitor of the city council. It is not sent direct from the city council signed by the clerk of the Vancouver city council. That letter is a letter from the committee.

Mr. GREEN: No, no.

Mr. MOTT: Yes, it is—signed by a solicitor.

Mr. GREEN: It is a formal letter from the corporation counsel of the city of Vancouver enclosing the documents, and outlining that the city had approved what is contained—

The DEPUTY VICE-CHAIRMAN: Regardless of that, Mr. Green is asking us to accept this brief, or letter, as appendix A on his authority, and, if it is the wish of the committee, we will accept it.

Mr. MOTT: I still cannot understand, and I wish Mr. Green could tell us, why the mayor of the city of Vancouver, if this is an official document, did not

sign it instead of the legal adviser who has evidently left the committee. Why did not the mayor of Vancouver sign it?

Mr. BYRNE: Mr. Chairman, I think in this regard there is no question in the world that it was the intention of the city of Vancouver to be represented by this document. This was their view. It may be inaccurate or wrong, but, as Mr. MacInnis has said, it is up to the individual members of this committee to assess the value of the document. There is no question in my mind because it was forwarded with some letter from the city solicitor—

Mr. GREEN: Corporation counsel.

Mr. BYRNE: Yes, and all Mr. Green is asking is that the information sent to the Vancouver members be likewise distributed.

Mr. ROONEY: Mr. Chairman, as an accountant, and having read this, I cannot see objection to having this before us and attached as a brief, or a document, because we naturally will do what we think is proper, and I cannot see any objection to this at all.

The DEPUTY VICE-CHAIRMAN: I think it could very well have been presented by counsel for the city of Vancouver, but since it has not been and since it has been referred to two or three times, I think the best thing to do is to accept it.

Mr. APPLEWHAITE: As sponsor of the bill, we are not objecting. Once the status is established, we are not objecting.

The DEPUTY VICE-CHAIRMAN: Is it the wish of the committee to accept it? Agreed.

(Documents appear as Appendix A.)

The DEPUTY VICE-CHAIRMAN: Mr. Lett, do you have a statement to make in reply to the requests for information asked for yesterday?

Mr. LETT: Mr. Chairman, gentlemen, certain information was asked for yesterday which we did not have available, and that is now available. Certain questions were also asked which I believe I can now answer, and there are certain other ones which Mr. Hamilton will also answer if it is the wish of the committee, immediately after.

Mr. Fulton asked the number of shares presently held by the Anglo Canadian Telephone Company. According to the records, I am informed there are 62,200 shares of Anglo Canadian Telephone Company and the British Columbia Telephone Company out of 120,000; that is ordinary shares: 62,200 out of a total issue of 120,000.

The second question asked was by Mr. Green in his questioning last night of Mr. Farrell. He produced this chart, Mr. Chairman, which he asked to have checked. I am informed that this chart has now been checked. It is a photostat of an exhibit—exhibit 20—which was filed by Mr. T. G. Norris, K.C., counsel for the province of British Columbia, in the company's rate application of 1949, with one minor change, which apparently came in, which is not material. This chart was checked by the company at that time and is correct as at the date shown on the chart.

Mr. GREEN: What date is that?

Mr. LETT: There are several dates. I will refer to them in a minute. The date of the hearing was in January, 1950; that is when I believe it was checked by the company, but there have been a number of changes such as the one I have just mentioned in answer to the previous question—that is, the holdings of those shares.

Mr. GREEN: The shares of the British Columbia Telephone Company?

Mr. LETT: Yes, held by the Anglo, which I have given in answer to the question of Mr. Fulton. A number of changes which have occurred in these

share holdings as shown by the chart between the first of March, 1948—that is the principal date shown here—and the present time. For example, the one I have just mentioned. We would be pleased, Mr. Chairman, to furnish the details to Mr. Green of these changes so that he can bring his chart up to date before he files it formally as an exhibit.

The DEPUTY VICE-CHAIRMAN: Do you want to file that, Mr. Green?

Mr. GREEN: Yes, I would like to.

Mr. LETT: Would Mr. Green like to have it brought up to date? We will make that available; it is being typed now and could be made available, but if it is going in as an exhibit it would be our wish it would go in in proper form.

Mr. GREEN: It is only fair that it should be brought up to date first. I would ask that that be printed too.

The DEPUTY VICE-CHAIRMAN: As an appendix?

Mr. GREEN: As an appendix.

The DEPUTY VICE-CHAIRMAN: I need a motion for that.

Mr. GREEN: I will move it.

The DEPUTY VICE-CHAIRMAN: Moved by Mr. Green that this chart showing Inter-Corporate Relationship of the British Columbia Telephone Company, be printed as an appendix B when brought up to date.

Mr. GREEN: Yes, or that memo attached showing the changes. I think perhaps it would be better to have the memo showing the changes, rather than changing the chart.

Mr. LETT: I take it the memo showing the changes could be part of the exhibit which is going to be attached to the transcript.

Mr. GREEN: Yes.

The DEPUTY VICE-CHAIRMAN: All right.

(Chart and memo appear as Appendix B).

Mr. LETT: The first point: One of the honourable members asked yesterday the question regarding the total number of telephones of the company at different times, and I think it was in relation to the number of, what were called "held applications" or "unfilled orders". If it is the wish of the committee, there is a chart here we can file. It is just a graph showing the number of stations and the held applications from the period 1938 down to 1951, and contains an estimate for 1952. Have you any objection to that?

The DEPUTY VICE-CHAIRMAN: Is it the pleasure of the committee to have that filed as another appendix—C?

Carried.

(Graph appears as Appendix C).

Mr. LETT: There is one more: Mr. Green asked Mr. Farrell last night if he would be prepared to accept an amendment on jurisdiction. I am not sure it is the honourable member's intention that that should be dealt with at this time, and if it is not the wish of the committee—

The DEPUTY VICE-CHAIRMAN: That request is not in order. We ruled that out of order yesterday. Section 537 of Beauchesne's Rules and Forms, the third edition, distinctly states:

A committee can only consider these matters which have been committed to it by the House. A committee is bound by, and is not at liberty to depart from, the order of reference. In the case of a select committee upon a bill, the bill committed to it is itself the order of reference to the committee, who must report it with or without amendment to the House.

Mr. GREEN: Well, Mr. Chairman, there has been discussion in the House concerning the charges made as between the inter-related companies, and there also has been discussion permitted in the committee of that same question, and you ruled yesterday it was in order to discuss it. I was simply asking Mr. Farrell whether the company would have any objection to an amendment being made that would, in my opinion, meet that situation. I simply asked him whether they had any objection to such an amendment. I was not moving an amendment. I only asked him whether the company would have any objection to there being an amendment. A question of that kind, as distinct from an actual motion, I think, is in order.

The DEPUTY VICE-CHAIRMAN: Yes, I would rule that question in order if—

Mr. APPLEWHAITE: May I speak, Mr. Chairman, to that: I hope that at least so far I have not indicated that I am trying to be very technical in these meetings, but in this particular instance permission is asked to ask a question of the witness which involves the doing of something which, according to your ruling, we have not the power to do, and therefore I submit, with respect, that we cannot have it both ways.

The DEPUTY VICE-CHAIRMAN: As I understand it, Mr. Green can ask any question he likes, but the witness does not need to answer or make any statement. The question is in order, but the witness need not answer; but we are bound, as you know, gentlemen, by this bill we have before us, and any amendments must be placed on this bill, and this bill only. We cannot go amending something else when this is our order of reference. That is all. I do not mind—you may ask that question, and it can be answered or not, as the witness desires. Do you want to make a statement on that, Mr. Lett?

Mr. LETT: In view of the ruling, no. Our recollection is that the witness answered the question yesterday.

The DEPUTY VICE-CHAIRMAN: No, he did not.

Mr. GREEN: No, he did not answer it. It ended up when I asked whether he would take it into consideration.

The DEPUTY VICE-CHAIRMAN: Do you want an answer now?

Mr. GREEN: If I may.

The DEPUTY VICE-CHAIRMAN: Mr. Farrell, would you care to answer?

Mr. FARRELL: I do not care to answer that question.

The DEPUTY VICE-CHAIRMAN: That is all then. Anything else?

Mr. LETT: No: Mr. Hamilton has the other information.

The DEPUTY VICE-CHAIRMAN: Is it the pleasure of the committee to call Mr. Hamilton?

Mr. GREEN: Before Mr. Hamilton is called, there is one matter which I think should be straightened out. Last night Mr. Lett read from the judgment of the Board of Transport Commissioners with regard to this service contract under which Anglo Canadian is paid a commission of one per cent on the gross revenue of British Columbia Telephone Company. I have checked this report of last night's proceedings, and Mr. Lett omitted quite an important part of that particular judgment—of the findings on that service contract, and I would like to read that part into the record today. He read the first six paragraphs of those findings on the service contract, and then he read the beginning of the seventh, but he did not read it all, and he did not read the eighth at all. I am going to read the seventh and eighth paragraphs. Paragraph seven reads as follows, and this is from the deputy chief commissioner's judgment:

In my opinion, the contract is bona fide and is a means whereby the company obtains valuable patent rights, and expert service. Witness Magill admitted on cross-examination—

And this is a quotation from the witness Magill which Mr. Lett did not read.—that there are occasions when you need technical and expert advice . . . but I do not believe that it is necessary for the British Columbia Telephone Company to rely on any particular service organization for that service. (P. 1230, Transcript).

Reference has been made to the disallowance of the payments under the contract as an expense deduction for income tax purposes. The company stated that this disallowance was due to lack of approval by this board. This may well be the case inasmuch as it is the board's understanding no such disallowance occurs with respect to the similar contract of the Bell Telephone Company. In any event it is not this Board's functions to determine the reasonableness of tolls based upon whatever rulings may be applied by other legislation.

That paragraph refers to the fact that the income tax authorities had refused to allow this one per cent as a deduction for income tax purposes.

The DEPUTY VICE-CHAIRMAN: Is it the pleasure of the committee that we call Mr. Hamilton now?

Mr. MOTT: Mr. Chairman, before you call Mr. Hamilton, I think there was a question asked last night which we should have cleared up. I think Mr. Green last night asked a question of Mr. Lett concerning the \$160,000, as to how much of that sum was received from the subsidiary company. I think Mr. Lett mentioned the amount of \$3,000. Thereupon Mr. Byrne asked a question with regard to the remainder of that amount of \$160,000, and what did the Anglo Canadian Company receive it for. I think that question should be answered and I wondered if Mr. Lett was going to answer it.

Mr. LETT: Mr. Chairman, I am sorry, but I did not look that up. I shall have to go through the transcript and find the exact figures. They are in the transcript which we have at the hotel.

Mr. MOTT: I think you should reply to it because there was the thought mentioned that it was for certain patents and one thing and another. But just \$3,000 was paid to a subsidiary company, while the rest was paid to the Anglo Canadian Company.

Mr. MURPHY: Mr. Chairman, before you call another witness—

Mr. GREEN: The point or significance of it was that the British Columbia Telephone Company paid a certain amount to the Anglo Canadian Company. I think it was about \$181,051; and the Anglo Canadian Company had no facilities for rendering this particular service. And then it came out in the evidence that the Anglo Canadian Company only paid to its parent company \$3,150 for the same kind of service.

Mr. APPLEWHAITE: Mr. Chairman, was Mr. Green answering that question on behalf of the British Columbia Telephone Company?

The DEPUTY VICE-CHAIRMAN: I do not know.

Mr. MURPHY: Mr. Chairman, before we call another witness, I do not think it appears on the record yet as to the number of times that the company applied for permission to sell stock.

The DEPUTY VICE-CHAIRMAN: The number of times the company applied for permission to sell stock?

Mr. MURPHY: Yes, Mr. Chairman. Can you give us that information, Mr. Lett, and also tell us the price that was granted for the sale of the stock?

The DEPUTY VICE-CHAIRMAN: I thought we discussed that matter last night.

Mr. LETT: I think I read that information into the record yesterday.

Mr. MURPHY: I want to know the various times that you made application to sell stock.

Mr. LETT: Yes, Mr. Chairman. I have it here. Would you like me to read it again?

The DEPUTY VICE-CHAIRMAN: Not if it is already in the record.

Mr. MURPHY: I understood there was this last application. I was not here for the last meeting.

Mr. LETT: I gave the amount of preferred and common which was issued in 1948, 1950, and in 1951. There was none of either issued in 1949. And I gave the amount of each.

Mr. MURPHY: Did you give the dates when you made application for permission to sell stock, and did you state how many shares you were authorized to sell and at what price?

Mr. LETT: Those are the actual issues for which application was made, and I might say that the applications were granted.

Mr. MURPHY: Did you state the price at which the stock was to be sold?

Mr. LETT: No, I did not.

Mr. MURPHY: I wish we could have that information made available to us.

Mr. LETT: Yes, I could get that information for you.

The DEPUTY VICE-CHAIRMAN: We can get that for you later on in this session.

Mr. BYRNE: Will there be a witness who is in a position to answer questions relative to this brief which was presented to us just now? There are many questions I think which will arise out of this brief.

The DEPUTY VICE-CHAIRMAN: I believe we shall have a representative here from the city of Vanvouver.

Mr. BYRNE: This brief is an opinion of their representative but will we be in a position to ask questions of the applicants with respect to this opinion?

The DEPUTY VICE-CHAIRMAN: We shall make time available for it.

Mr. BYRNE: I have one question, Mr. Chairman.

The DEPUTY VICE-CHAIRMAN: Not at present, Mr. Byrne. We shall get to that brief later.

Mr. BYRNE: While Mr. Lett is available I want to draw attention to the judgment in the telephone rates case. I would like to have it understood that this is simply a commentary on the judgment, and not the judgment.

The DEPUTY VICE-CHAIRMAN: Shall we call Mr. Hamilton now?

Mr. GREEN: Mr. Chairman, last evening either Mr. Farrell or Mr. Lett gave us figures of 51 per cent and 49 per cent. I am not clear whether that was applicable to the percentages of common shares and preferred shares, or whether it was applicable to share capital and bonds and notes. Can we have that point cleared up now?

Mr. LETT: Mr. Chairman, the figures in question were given in evidence by Mr. Farrell and I think he can explain them now.

The DEPUTY VICE-CHAIRMAN: Very well. Mr. Farrell?

Mr. FARRELL: Mr. Chairman, that percentage was made up as of bonds to capital; the value of the capital being the market value of the capital, not the par value.

Mr. GREEN: Well, Mr. Farrell, of course, that I think would distort the whole picture because, looking into the future, you would have to consider also the market values; and if your shares sell, let us say, at \$130 for a \$100 share, or perhaps even at \$200 for a \$100 share, that fact would have to be taken into consideration in deciding what capital the company obtained. I think that the

proper way to arrive at what the percentages would be, is to take the actual figures in your balance sheet which are not around 51 per cent and 49 per cent at all.

Mr. FARRELL: What are they on the par value then?

Mr. GREEN: Well, according to your balance sheet as at December 31, 1950—

Mr. FARRELL: My figures were as of this date.

Mr. GREEN: Your figures are based on the market value, but your balance sheet is not.

Mr. FARRELL: We had to issue \$5 million of stock, and that balance sheet does not take it into consideration.

Mr. GREEN: Here is the position, and Mr. Lett can check me as I give the figures.

Mr. FARRELL: The figures which I gave you were with respect to today's capital.

Mr. GREEN: Oh yes; but during any discussion of this percentage, or this method of financing by a certain percentage of bonds and a certain percentage of shares, the figures were based throughout on your balance sheet.

Mr. FARRELL: My figures were not, Mr. Green.

Mr. GREEN: I point out that your balance sheet as of December 31, 1950, shows an issued capital of \$20 million; your first mortgage bonds are shown at \$27,500,000; and your fifteen year 4 per cent notes are shown at \$4,687,000. And those figures add up to an issued capital of \$20 million as against capital raised on bonds and notes of \$32,187,000; and the percentages, as I figure them, are 38·3 per cent share capital, and 61·7 per cent bonds and notes. Since then you have issued a further \$5 million by way of share capital.

Mr. FARRELL: That is right.

Mr. GREEN: So with that change, with that additional \$5 million in share capital, the percentages become, as I figure them, approximately 43 per cent share capital and 57 per cent bonds and notes. A good deal of our discussion on this point has been based on these percentages. I think that those are accurate figures as of today; namely, that it is approximately 43 per cent issued share capital and 57 per cent bonded indebtedness. And of course, if you should next issue bonds or notes rather than new shares, this percentage of bonded indebtednesses would go that much higher.

Mr. LETT: Mr. Chairman, may I comment on this?

The DEPUTY VICE-CHAIRMAN: Yes.

Mr. LETT: The honourable member suggests that the evidence given by Mr. Farrell was distorted.

Mr. GREEN: I did not say that it was distorted. I said that it distorted the picture.

Mr. LETT: You said that it distorted the picture. So I trust there was no suggestion that there was any intentional distortion of the figures.

Mr. GREEN: Oh, no.

Mr. LETT: If the honourable member will ask for the percentage that he wants, based on the capital at the date that he wants and not on the prior value of the market, we will be happy to give him those figures.

But if I understood Mr. Farrell's answer correctly, it was given to your question which was: What is the ratio? And he gave it as he calculated it. But if what you wanted was an answer as of the date of December 31, 1950, the question should have been stated that way in fairness to the witness.

Mr. MURPHY: Mr. Chairman, I think that both sets of figures should be given.

Mr. LETT: Prior to that we had given the shares and securities outstanding as of May 31, 1951; and that is what Mr. Farrell presumed that Mr. Green was asking for.

Mr. GREEN: Mr. Farrell's figures were based on market value and not on the par value; whereas all the other figures you submitted before the Board of Transport Commissioners were based on the par value.

The DEPUTY VICE-CHAIRMAN: We have both sets of figures. I think they have been very thoroughly examined and that there will be no doubt in the evidence as to which figures are intended. Is it now the wish of the committee that we call Mr. Hamilton?

Mr. FULTON: Mr. Chairman, may I ask a question of Mr. Farrell? Last night he gave to the committee the actual expenditures for the years 1949 and 1950 so that we might compare them with their estimates and thereby assess the estimates of projected expenditures. Can you now give us the estimate of capital expenditures for the years 1949 and 1950, that is, the estimated expenditures rather than the actual?

Mr. GOODE: Mr. Chairman, may I again stress what I suggested last night. Mr. Green spent some little time in making a statement and at the end of his long statement he asked a question. Did you not rule last night that questions were to be directed to the witnesses at this time and that Mr. Green could make his comments at some other time? Mr. Green took about 15 minutes to ask a question which could have been asked in about 1½ minutes.

Mr. FULTON: I have asked, Mr. Chairman, if we could have an estimate given of the expenditures in 1949 and 1950?

Mr. FARRELL: I thought that I was through as a witness, so I have not got my papers with me today; but I could get that information for you.

Mr. FULTON: Thank you, Mr. Farrell.

Mr. ROONEY: I cannot understand what value there would be in a comparison of market values on any statement. The only value I could realize a figure on would be the book value, in order to base any constructive figures on it and come to an opinion. I understand that Mr. Green has asked for both types of figures, that is, the book and the market values. But the market values mean nothing because you cannot go by any market value on anything today.

The DEPUTY VICE-CHAIRMAN: Mr. Rooney, I think we have both sets of figures on the record explained in regard to market value and book value.

Mr. BYRNE: Before Mr. Lett leaves the stand, will there be anyone in a position to answer questions in relation to this document that has been presented—even though it is a document of opinions and not of facts.

The DEPUTY VICE-CHAIRMAN: I think we should have a discussion on it later, yes.

Mr. BYRNE: It is presented now and it goes on the record as of this date, but some of the opinions may be fallacious—we do not know. They will appear as statements and there are some questions I would like to ask at the present time.

The DEPUTY VICE-CHAIRMAN: It would be my intention to go on with the witnesses this afternoon and take up the brief later.

Mr. APPLEWHAITE: Can we recall the witnesses if desired?

The DEPUTY VICE-CHAIRMAN: That would be the intention. Now, can we call Mr. Hamilton?

Agreed.

I believe it is Mr. Hamilton's intention to make a short statement about some questions that have been asked, and then there will be an opportunity for further questioning when he is finished.

Mr. James Hamilton, Senior Vice-President, British Columbia Telephone Company, called:

The WITNESS: I believe during Mr. Farrell's testimony or appearance as a witness he was asked about the comparison of rates approved by the Board of Transport Commissioners in Ontario and Quebec—as compared with British Columbia. Those are the two organizations that come under the Board. Mr. Farrell said we would be pleased to supply that and I have the information here. I have a few copies.

The DEPUTY VICE-CHAIRMAN: Are there enough to go around the committee?

The WITNESS: I believe there will be and if not I can get more.

Mr. LETT: If it is the wish of the committee we could file these. The member did ask for a comparison between the rates for the Bell Telephone Company and the British Columbia Telephone Company.

The DEPUTY VICE-CHAIRMAN: I think it was Mr. Fulton who asked the question.

Mr. FULTON: No, it was either Mr. Hodgson or Mr. Ferguson.

The WITNESS: I might say these are extracted from the judgments of the Board approving these schedules. They are exact copies.

The second item I have here concerns a question raised by Mr. MacInnis. He mentioned a document containing certain names that have been submitted, and I believe he did say he understood they had been submitted to the company. I got in touch with our department in Vancouver which handles that and we can find no record of ever having received that document.

I will be very pleased indeed to take that petition and advise Mr. MacInnis, in connection with every name, what treatment we have given and what we have advised the people in regard to their applications.

I believe they will all have been informed as to the nearest possible date on which we will be able to give service under the plans we have for general capital expenditure, while trying to apportion the facilities and the material available over the area we have got to serve. I believe that is fairly well shown in one of the statements that was produced here for the information of the members.

If it is satisfactory to Mr. MacInnis I will be very pleased to see that he is furnished with full information as soon as I get that list.

Mr. MACINNIS: That will be satisfactory. My information is, and I read it from the letter I had, that one copy of the petition was sent to the head office in British Columbia.

The WITNESS: 'It may have been sent there but we can find no trace of it, sir.

During the course of Mr. Farrell's evidence mention was made of contracts and I believe he referred to me as being able to answer those questions. All I can say in regard to contracts is that at the hearing before the Board of Transport Commissioners we gave every evidence that was required and submitted full particulars. After that had been submitted the Board made the ruling. In connection with one contract they made certain disallowances and we have acceded to the ruling of the Board and have negotiated and entered into a new

contract giving full effect to the Board's ruling. The other contracts are similar. All other contracts, as submitted and dealt with before the Board, have been approved by the Board and are associated with the judgment.

Now, the fourth item was in connection with a question asked by Mr. Fulton.

The DEPUTY VICE-CHAIRMAN: Before we leave these rates, is it the pleasure of the committee to have these tables entered as appendices in the report of our proceedings?

Agreed.

(See Appendices D and D-1.)

Mr. LAING: These are current rates in both instances?

The WITNESS: These are rates extracted from the latest judgment on file and in our operation today, sir.

The DEPUTY VICE-CHAIRMAN: All right, let us go ahead.

The WITNESS: In discussing the matters that were submitted by the company, and information used by the sponsor of this application in the Senate and also in the House, certain figures were submitted as being some evidence of the necessity for the increase in capital which the company is applying for. I might say that these figures and estimates, which are modest, were prepared last fall. You will appreciate that there was a great deal of work involved and they had to be accumulated over a period. I think the date on the information was January 12th.

Mr. MURPHY: Are you speaking of these two statements?

The WITNESS: No, I was speaking of the matters referred to when Mr. Farrell was giving evidence in answer to questions asked by Mr. Fulton.

Now, I have been able to get the further information asked for. Mr. Fulton asked whether I could split our proposed expenditures instead of giving it for the company as a whole. He asked whether I could readily split it into the divisions as shown on another statement here which shows the districts referred to.

Mr. FULTON: Yes.

The WITNESS: I got in touch with the office in Vancouver and, fortunately, our data was in such shape that we could get this out and I think it is fairly reasonably accurate. I would pass that along to Mr. Fulton.

The DEPUTY VICE-CHAIRMAN: It will be produced for the committee itself?

The WITNESS: Yes, but I would like to ask if it is in the form Mr. Fulton would like. I can probably read this as I have not sufficient copies to go around. The answer to the first question raised by Mr. Fulton—and I suppose he had particularly in mind the Kamloops district—is that the tabulation shows that we have present commitments, estimates approved and under way with some nearing completion, of \$133,775 at the moment. We have a proposed program of \$89,000 for the balance of the year and on most of it—I would say probably 100 per cent of it—firm orders have been placed. Our plans call for commitments this fall or early next year in the amount of \$147,000. Up to the end of 1952 the total amounts in round figures to \$370,000. Does that answer your question, Mr. Fulton?

Mr. FULTON: Yes, Mr. Hamilton, it answers the question in the form in which I asked it. There will be certain matters arising out of the information which I would like to follow up when you have completed your statement. Could I suggest, Mr. Chairman, that a copy of that be filed so it will be available,

because Mr. Hamilton's statement answers my question as to the proposed expenditures by areas, and I know that other members of the committee will be interested in that information.

The DEPUTY VICE-CHAIRMAN: Is it the pleasure of the committee to accept this table as Appendix E?

Agreed.

The WITNESS: You will notice that I did not go beyond 1952, because it is quite a chore.

When Mr. Farrell was giving you our commitments for 1951 and estimates for 1952 someone asked how we know that we will need approximately \$10 million to \$12 million a year for the next four or five years thereafter. I have given you information on the number of unfilled applications for telephone service but there are some other material factors which have not been taken into consideration in the estimates here, and I will deal with them.

During the war and after, when equipment was in short supply, the company's policy, in line with that of all other telephone companies in Canada and in the United States, was to give some kind of service to as many people as possible. We gave them telephone service of some kind. The result was and is overcrowding of lines and service which was not up to our pre-war standard. We felt that policy was sound and in the best interests of people who wanted some kind of telephone service under these particularly difficult conditions. People have put up with that class of service but they are demanding and are entitled to a better class of service, and I might add here that I know of no telephone company that is not doing every last thing they can to meet those demands, scraping and getting their materials and personnel to meet those demands. Now, in that regard Mr. Farrell, I think, and counsel, Mr. Lett, have drawn to the attention of this committee the unprecedented growth of population in these areas which proportionately demands additional communication facilities. Now, in addition to the unfilled applications, we have at least at this time 30,000 subscribers who are waiting to take an improved service as soon as we are able to provide it, that is people on a two-party or a multi-party line and other types of service. As I said, we endeavoured to spread out as far as we could, to give some kind of a service to as many people as we could with the facilities we had available to us. Some day we have to take care of that and I wish it was tomorrow. Now, to upgrade that service and also—to put it in telephone parlance—to provide the necessary plant margins, you gentlemen can realize it is necessary to be on your toes, as you would say, so that the average subscriber in a reasonable location within an exchange area such as Mr. MacInnis referred to here in Burnaby, can be given service within a reasonable time. I might say that in 1939, the year before the war, and for several years before the war that our average time to complete an installation from the moment the request came in to the moment it was completed was five days, and that is good service in any man's language.

Mr. FULTON: What is it now, about five years under the present circumstances?

The WITNESS: No, it is not. We might have certain individuals in certain particular locations who may have been waiting two or three years but they are very few. The policy of the company is whenever these materials are available to take care of them on the first-come-first-served principle as closely as we can follow it, always taking into consideration to give a preference to business, to doctors, to civil service departments, to cases of sickness particularly, and to the cases of individuals incapacitated, blind or otherwise. We go around and find out what the condition is and these get a high priority. I think that is only fair, and I might say that that type of priority pretty well follows what was laid

down by this government during the war years in the matter of priorities. Now, that again brings up the question that there is another form of service we have to take care of and that is our long distance service. In the general economy and demands of the public that has developed at a tremendous rate. With the tremendous development that has taken place and that we see ahead of us in British Columbia you gentlemen can visualize what is going to be involved in taking care of these major developments in what has hitherto been known as the hinterland of British Columbia.

MR. MACDOUGALL: Hear, hear.

THE WITNESS: I could say a great deal on this but I think the members from British Columbia probably have better knowledge of what we are faced with in the way of meeting the demands to take care of the industrial development. Every week there come announcements of some new industry or some new element that has come in there and that is going to create employment and bring a tremendous additional population into the province. Had these come in ten years ago, I think we would have gone out and had a public holiday declared.

In connection with our long distance service I would just make one or two little comparisons which probably will convey to you gentlemen, what I mean. In 1939, our official records show that 92·9 per cent of requests for long distance telephone calls were completed by the company without the subscriber being required to take the telephone from his ear. That is C.L.R. service. That is good service in anybody's language. Today, that has dropped down to 86·6 per cent which is about what we are doing or have been doing in the last few months. Now, that might only show a difference of about six or seven per cent but considering the volume of calls and so forth it is a big item, and we are struggling as fast as we can to take care of that. I have no doubt that many of the members are aware that we have a big program going on in order to obviate interference. Take, for example, the Hope-Princeton highway. We have undertaken to build a new toll line over there so that we can get better service in and out of British Columbia. There are other routes coming. And that will call for additional sums of money. Now, I am going to make a statement and I will say this that to take care of our held order situation, not our held order situation but to take care of our upgrading, to satisfy the 30,000 or 40,000 people who want a better class of service and to put in the plant margins to permit us to meet their reasonable demands fast, I would say a very conservative figure, not included in any of these figures, would amount to not less than \$12 million. In order to check this I called our chief engineer and the gentlemen who are competent to give me an opinion on this, and that is their statement, and it is not one that was just picked out of the air, but is based on a fairly good idea of day to day knowledge of what is going on there. Now, if I were asked a question—I probably should not ask myself a question, but I am and I am going to answer it.

MR. FULTON: You may as well start, there are probably going to be lots of others.

THE WITNESS: Mr. Farrell gave reasons yesterday as to why our estimate of \$100 million for ten years would be cut back and we would use that up in seven or eight years.

MR. GREEN: I think it was Mr. Lett who said that.

THE DEPUTY VICE-CHAIRMAN: I think it was Mr. Farrell.

THE WITNESS: Now, my information is that Mr. Farrell's estimate of the time it will take to use that up is modest, because of the expansion the company is going to be called on to make.

MR. LAING: You think it will take less?

THE WITNESS: It will take less time to use it. Now, there is one other thing that I will touch on. You all know that there are very extensive plans

being worked on by the Department of National Defence. I am not at liberty to mention anything about that in any detail, but I do know and I am sure you gentlemen know probably more about it than I do, that is the importance of communications in British Columbia—and on top of all this I have requirements handed to me by the Department of National Defence that will add several millions to those requirements to provide facilities in this area that we have to provide for the government on terms to be worked out with the proper departments of government.

MR. GOODE: Mr. Hamilton, before you go on; that work naturally takes priority over domestic service, does it not?

THE WITNESS: Very high priority. It is number one on our list. Now, from what I have said and what has been put forward here you will realize we will have very very heavy expenditures. I do not know that there is anything more that I can add. That is a general explanation.

MR. HERRIDGE: Mr. Chairman, this bill is of very great interest to the people I represent because I am sure Mr. Hamilton will realize that the telephone service in the type of country we live in is very essential and very important. I might say they have taken a very great interest in two types of private bills since I came to this House, the first are the various pipeline bills and second, his British Columbia Telephone bill. I may say when the bill was introduced into the House I wrote various organizations throughout my constituency and asked for their opinions and their suggestions and their complaints and I received a good number of suggestions and a good number of complaints. These people have asked me to take this opportunity today to present certain of these complaints to the witness, and to ask him certain questions in connection with those complaints. Now, Mr. Chairman, I presume Mr. Hamilton knows the Kootenay area fairly well as the result of visiting it frequently. Will Mr. Hamilton say he would agree with me it is very necessary in Canada this year to increase production for the economic welfare of the Canadian people? Has Mr. Hamilton heard that the greatest per capita production in Canada is in the Kootenay? If we take the total production of manufacturing firms in east and west Kootenay and divide by the population, we have the greatest per capita production there is today. There is a large number of mines, there is lumbering and agriculture. In that connection, Mr. Hamilton would admit that his company has a great responsibility as a telephone company to provide the best service possible to that area. I presume Mr. Hamilton's nods mean "yes".

MR. HAMILTON: I nodded when he mentioned the importance of communications in the economic life of the province. We are certainly seized of that.

By Mr. Herridge:

Q. Mr. Hamilton, has your company any complaints from the city of Trail, or requests for the installation of a dial system?—A. Yes.

Q. You are very well aware of the great importance of that industry to our defence at this time, and to the economy as a whole. Could you tell me how many unfilled applications there were for telephone installations at the end of last year, December 31, 1950, in Trail?—A. In Trail, yes, sir: There were 206 unfilled applications in Trail as of December 31, 1950, out of total stations in operation at that time of 4,328: a little over 5 per cent, but I think Trail has been fairly well taken care of.

Q. What do you intend to do with regard to requests of the people of Trail which were fairly well indicated in an editorial in the *Trail Times* of recent date? What do you intend to do in regard to applications for installation of dial telephones, and when will you be able to complete such a program?—A. Trail is very definitely on our program for automatization as and when the

equipment becomes available, but it is not number one, two, or three priority from a standpoint of held orders or inability to give reasonable service with the facilities we have now as against some other areas, and it will certainly be given its place in the picture as fast as we possibly can.

Q. Thank you. Mr. Hamilton, now I want to refer to a letter I received from the Rossland Board of Trade: I might say most of my communications came from Boards of Trade, which are accepted as responsible bodies of business men and farmers, and so on. Rossland is a residential city with a great history in mining; a residential city for the Consolidated Mining Company employees, and there are still large reserves of gold ore in the mountains near untouched. I have received this letter from the secretary: "However, at last night's meeting the matter was brought up and I can give you the suggestions as handed to me. First of all, I might say that the Rossland Board has been dealing with B.C. Telephone Co. officials during the past year complaining about the service here in Rossland and at that time we were given to understand that if this proposed bill went through for authorized capital, the Rossland service would be on the program for an improved system. Naturally, then, we are in favour of the proposed bill."

The suggestions were as follows:

(1) Installation of a new up to date system in Rossland as we have been given to understand that the present party line system is carrying its maximum load and cannot be extended.

(2) That if improvements are contemplated, consideration be given to the installation of a modern dial phone system.

and then they go on thanking me for my efforts, and so on.

Q. Mr. Hamilton, what can your company do in connection with those suggestions on the part of the Rossland Board of Trade?—A. Before I answer that, I think I would like to give this committee some of the information in regard to what we have done for Rossland.

Mr. FULTON: Hear, hear.

The WITNESS: At the end of the war in 1945 Rossland had 457 stations in service.

Mr. FULTON: That is a technical word: by "stations", does that mean a subscriber?

The WITNESS: It means a telephone instrument; an outlet anyone can talk from or to.

Rossland at the end of the war, on May 31, 1945, had 457 stations in operation. On the 31st of December it had 1,021, a gain in stations since the end of the war that we have provided for of 564.

Mr. FULTON: The 31st of December what year?

The WITNESS: 1950. At the end of December 1950 we had 25 unfilled applications for service in Rossland. Now, we appreciate that Rossland has a need of telephone service, but there are other areas that have harder or tougher situations than Rossland at the moment, but it is our definite intention as soon as we possibly can—I might say I can give you the same answer for Rossland as I gave you for Trail—to give it the attention it deserves and requires, as and when we can.

Mr. HERRIDGE: Mr. Chairman, I would like to point out that Rossland people are above the average of Canadians in their progressive spirit, and no doubt want to be as modern as possible quickly.

The WITNESS: They say a creaky wheel always gets first grease.

Mr. BYRNE: Mr. Chairman, I do not think we should have all this in this committee; we got this last week in the House. I thought this was a question period. If we all do this we are going to be here a month. I have situations too, and I could bring hundreds of them.

Mr. HERRIDGE: Mr. Chairman, I have been sitting here for three meetings of this committee and listening to other members ask questions with respect to certain aspects of this bill on which I am not so well informed, but I am well informed about the complaints of my constituents, and I intend to present them here.

Mr. GOODE: Mr. Herridge may intend to present a lot of things, Mr. Chairman, but you ruled last night that this was a question period, and in fairness to Mr. Green, you stopped him from making certain statements. I think Mr. Herridge should enjoy the same privilege.

The DEPUTY VICE-CHAIRMAN: I think Mr. Herridge is in order.

Mr. GREEN: Mr. Herridge is clearly in order.

Mr. HERRIDGE: I have been asked by these organizations to ask these questions at this committee's meetings, and I intend to do just that.

The DEPUTY VICE-CHAIRMAN: Go ahead.

By Mr. Herridge:

Q. I am going to try to be as brief as possible. Has the company received a number of requests from the city of Nelson in regard to the dial telephone system?—A. Yes, I am sure we have. We have had them from mostly every other place else.

Q. But what will be done if the company obtains the \$50 million increase? You realize the city of Nelson is the commercial centre of my constituency, from which all telephone lines radiate.—A. Because of the extreme difficulty we are experiencing today in getting operating personnel—that is, operators—we have to move, in self preservation, to automatic to take care of that, because the offers for employment of young ladies in British Columbia have widened out to the point that we have got severe competition, and that is one of our service difficulties today—our ability to secure competent operating help, and any of you gentlemen who are in business and most of you are—can appreciate the difficulty in British Columbia today from the point of view of getting help, and competent help, almost in any line of endeavour; mining, in the woods—everywhere.

Q. What would be the number of unfilled applications at the end of the year, December 31, 1950, for Nelson.—A. We had 45 out of a total stations in operation at the end of December of 3,191.

Q. That is very good. Mr. Chairman, I do want to say that the people of Castlegar appreciate very much the fact that they have recently had an automatic dial system installed, and the only complaint I have from that area is that in Castlegar there are a considerable number of unfilled applications for telephones. Could Mr. Hamilton give me the number?—A. Castlegar, we engineered the necessary facilities to take care of the Castlegar situation some two or three years ago, and very recently we cut that into service, but by the time we cut it into service Castlegar had grown to almost three times what it was when we made the original study and placed the original order. We are now endeavouring to get the additional equipment in line with the rest of our operations to take care of 305 unfilled orders in Castlegar.

Q. I think it is the fastest growing small community in British Columbia.—A. Fastest? It is running so hard—

Q. Well, it is phenomenal.—A. It is.

Mr. HERRIDGE: Mr. Chairman, I do want to bring to the witness' attention a situation I think he knows of in connection with the Salmo Telephone System. I have had a recent communication from the Board of Trade asking me to bring it to the attention of the officials again. Salmo has produced a great deal of wealth: There is the Hudson Bay mine and several others, and the Federal government has recently purchased the Emerald mine, and the Emerald mine will be the first tungsten producer in Canada to re-open since the war and will be a major supplier for the United States, Britain and Canada. So you can see the importance of that mining community, and in addition to that, the Central Mortgage and Housing Company, I am informed, are going to build a large number of houses in Salmo, and in the near future we are going to find a similar situation in Salmo as you experienced in Castlegar. I have a letter here from the secretary of the Salmo Board of Trade, from which I will read a couple of paragraphs:

Please be advised that this Board is not at all satisfied with the telephone service now being provided in the Salmo area. At present, the B.C. Telephone Company provides line service to the exchange in the Salmo Post Office and to the F. R. Rotter Lumber Company, but does not operate a service in the area itself. This service is managed on an individual proprietor basis by Mr. L. H. Lund, the present postmaster. This Board has set up a special committee to go into the whole problem of improving the telephone service in the area.

On numerous occasions in the past, the officials of the B.C. Telephone Company at Nelson have been contacted with a view to interesting them in providing a service for this area. The present holder of the phone franchise, Mr. Lund, has invited the company to make him an offer for his exchange, lines and equipment. This the company has refused to do, explaining that the equipment is valueless to them and that therefore they cannot reasonably pay him anything for it.

This Board takes the position that, as a public utility, the B.C. Telephone Company has an obligation to provide an improved phone service in this area, regardless of whether or not they can expect a profit from operations in the region. Their profits from operations in larger centres would assuredly take care of any operating deficit in this area.

Then they go on to say that they want me to bring this to the attention of the committee and: "We feel that the expansion going on in this area justifies consideration of such a step by the company in any event".

I am sure, Mr. Chairman, that the witness is well acquainted with this small mining village; and I would like him to inform us as to what his company will do, if it receives this \$50 million expansion in capital, in the way of providing modern telephone service to that very important area?

The WITNESS: The Salmo area for many years has been provided with service through a little local company there, with which we have not interfered. And up until this very recent development that is being started in the Salmo area, the facilities provided there have been reasonably adequate for its development.

But with this new spurt that is only one small part of what is happening throughout the whole of the province, we would certainly be glad to give the consideration to it which it should have in line with what we have to do throughout the rest of the province.

I realize that the Consolidated Mining and Smelting Company has just announced an expenditure of several million dollars in the Salmo area to develop

some large mining properties there. And there is the fact that a tungsten mine there which belongs to the government is to be revived, so that even another operation is under way.

These are only very recent developments. I think something has been said about the Lardo district. The Lardo district has become alive after being quiet for many years. I think you would agree with that statement, Mr. Herridge.

Mr. HERRIDGE: Yes, sir.

The WITNESS: And you mentioned something about communications in that area. I would be very glad to go up through that area and inspect them. I realize the importance of mining development in British Columbia economy, and I shall give it every possible consideration.

Mr. HERRIDGE: I am very pleased to hear Mr. Hamilton say that, because the Lardo area is one which contains about 16,000 acres of land suitable for settlement and some 500 million to 600 million feet of timber. But development there has been retarded because of the lack of communications. The provincial government intends to build a road from Kaslo to Lardo. All that is required now is a telephone service.

Mr. LAING: How many telephones are there at Salmo?

The DEPUTY VICE-CHAIRMAN: There is a question with respect to how many telephones there are at Salmo, Mr. Hamilton.

The WITNESS: We have only a toll line into Salmo; there are two or three toll stations in there.

Mr. LAING: How many?

The WITNESS: We do not operate in Salmo. Those are little local private stations and we are connected with them by toll line.

Mr. LAING: Yes. The postmaster runs it in his spare time.

The WITNESS: Yes sir.

By Mr. Herridge:

Q. Referring again to the Lardo situation, I have mentioned the fact that a road is being built. There was a telegraph line running from Kaslo to Gerard. It was turned over to the provincial government in 1941, but they have operated it in only a very half-hearted way. However it is a very necessary development. I took the matter up with the Minister of Transport, and while technical assistance has been tendered, there has been no financial assistance given. Is it not the responsibility of your company to provide a telephone service for that Lardo area?—A. We would certainly meet our obligations in any part of the province where development warranted, as we have done in the past and up to 1939. When we were able to meet those situations, we certainly did it.

Q. I am very pleased to hear that.—A. I just want to say thank you for boosting us, and I think you should add another \$50 million to our application.

Q. I thought that was going to be the result of my questioning. Some of the eastern members were snickering when mention was made of the Lardo area. But in fact it is as big as some of the counties in Ontario; so I think I am perfectly justified in bringing to your attention the possibilities in that district.

I have only another couple of cases to cite. The hon. member for Vancouver South apparently snickers at the scarcity of the population in that district. But I think the result of their work greatly exceeds that of the people he represents, per capita.

Now I come to the question of the Slocan area which recently boomed as did other places. It is a very important mining area. Some of the mines were closed down for some years because of the price of silver. But now they

are booming again. I may say that the local Boards of Trade are largely composed of mine operating officials and local businessmen and they are very concerned about the telephone service there.

I wish to read an extract from a letter I received from the Slocan district Board of Trade. It is signed by N. F. Brookes, Secretary, and the extract I shall read is as follows:

We have been in correspondence recently with the B.C. Telephone Co. requesting a regular 24-hour service in the New Denver exchange, but as yet have received no satisfactory reply. There is also a pressing need for more lines to Silverton, the present 36 phones in that thriving base-metal mining community being served by only 6 multi-party lines. The number of telephones in Slocan City should also be increased, but we are not prepared at this time to recommend what form the improvement to service in that centre should take.

This district has received excellent service and co-operation from the company's district agent at New Denver, in spite of the fact that her work has been made most difficult due to the overcrowding of lines, shortage of adequate help due to the fact that the present emergency service set-up precludes a regular shift schedule being followed, etc. As a matter of fact, this lady is now under medical care at the coast, following a nervous breakdown.

We certainly hope that something can be done to bring the telephone service here into line with present-day business demands, as we feel that this is one part of the province where the increase in demand for telephones approximates the increase in capitalization being requested by the telephone company.

Mr. FULTON: The whole \$50 million?

Mr. HERRIDGE: And then they wired me as follows:

Re Telephone Company memorandum we are willing to forego 24 hour service until New Denver exchange reaches usual size for such service. Four private lines to Silverton urgently needed to serve two mining companys and two large businesses. This should release sufficient party line outlets to accommodate present demand. Petition recently circulated in Slocan City by this Board of Trade bears signatures of 46 householders and six businesses. . . .

And then they go on to urge for some improvement in that area as a whole.

Now, Mr. Chairman, I would like to ask Mr. Hamilton what he thinks his company can do, if they receive this additional capital, to improve the telephone service in the Slocan area?

The WITNESS: I take it that New Denver is the place you are referring to. It had 77 telephones in 1945; and it has 166 telephones today. We have taken care of 89 installations as at the end of December, and we have 5 held. Therefore I do not think in a situation such as that, at this particular time and having regard to the operator shortage, we should be called on to give a full round the clock 24 hour service in that area. But we have made provision in the New Denver area for a longer service of an extra hour or two at night. In that area normally there would not be more than one or two calls all night, and I think the same situation would apply to a number of these places.

We too have received requests from these Boards of Trade to do something about the service down there because of the growth and development of the country, asking us to enlarge the service because of the shorter hours which are applicable to these small stations. But that is a situation which is common to almost every operating telephone company across Canada.

Mr. LAING: Does the company make any money out of these remote stations?

The WITNESS: Do not ask me to give away state secrets. We do not keep accounts by offices; but I can say there are places in such areas as that which do not pack their load. But that would not be the case with respect to New Denver which is a little compact place, and there are no telephone lines beyond a mile or so from the centre. So it probably would be carrying its load. However, there are other places where the population is scattered over a wider area and they would not carry their load. Does that answer your question?

Mr. HERRIDGE: I would like to refer to one more community, Nakusp, my own community where I went to school in the early days. So naturally I am very interested in it. This village and district has a population of about 1,000 people; yet those 1,000 people last year produced 562 carloads of lumber and over 600 carloads of cedar poles, in addition to considerable agricultural production, and quite a considerable amount of other forest production. As again I stress there is a considerable agricultural production, fruit production, and production of forest products. You can see that it is an important producing community.

Mr. LAING: My people would produce that much in a day.

Mr. HERRIDGE: To indicate its permanence, according to the best estimates of the cruisers of the Provincial Forestry Branch, this area can produce an annual crop of 40 million feet of lumber. So you can see that it is a permanent community which will rapidly expand. In addition to that, there are interested parties out looking for a location in that area for the building of a \$22 million pulp mill; and if they decide to build it, of course there will be very large industrial activity.

Mr. MACDONALD: Mr. Chairman, are we all to be given an opportunity to talk about the beauties of our constituencies and their products?

Mr. HERRIDGE: I am just placing the facts before the committee. Your trouble is that you have nothing to talk about. I have received this letter from the Board of Trade.

Dear Mr. Herridge:

In reply to your letter *re* the B.C. Telephone Company which came to hand last week, would advise you that at our regular meeting held on Tuesday 20th, I was asked to give you the following points for consideration in the matter:

1. 24 hour service.
2. Individual lines in town, or at least for business premises.
3. Fewer 'phones on existing party lines.

These are matters which we have been tackling for some time but we just get promises and no action.

Hoping something can be done in this direction in the near future.

Yours truly,

I might say, before the witness answers, in fairness to the company, that there has been a considerable improvement in the telephone service there but there has been complaint because there is not a twenty-four hour service. We have to go and wake somebody up in a private house. There are often urgent calls for Nelson and other points—hospital calls and so forth.

I would like Mr. Hamilton to tell me what the company intends to do to improve the situation if it receives the \$50 million?—A. I believe I dealt with spreading out the service as being company policy, but it might be of interest to

know that at the end of the war the total number of telephones in service in that portion of Nakusp was 42. When the war started there were only 36. At the end of December we were giving service to 183 stations and we supplied that demand because of the growth you have portrayed in Nakusp—by installing 141 stations since the end of the war. According to our records at the end of December 1950 we had only 7 held applications. I do not think it is reasonable to ask, with that number of stations, for full round-the-clock service. I do not know of any place else where it is done. If, as and when we become automatic you will get the service. This is one place again in which, in due course and in order of priority as these things become available, we will install those services.

Q. Just one final question. What is the policy of your company in regard to making decisions when you receive petitions from responsible bodies urging an improvement in service? Does a senior official visit the district and make a decision or is the decision left to the local officials?—A. The decisions are left to the senior management, of course.

Q. For instance, in the case of the interior, would you or some senior official be travelling through the district at times meeting the local people and making recommendations to your directors with respect to improvements?—A. The operating officials who report to me are going through the province every day. There are some of them in the districts every day and I personally visit at least once or twice a year practically every area in which we operate. As far as time will allow I contact the local people, get in touch with the local public people, boards of trade, councils, and so forth, to discuss these matters.

I think there are gentlemen here who have been in civic life who know I do that. I am looking at Mr. Mott, the ex-mayor of New Westminster. I think he can verify my statement.

Q. If you should be in the Lardq Valley, will you contact the Lardo Valley Board of Trade?—A. I will contact you first.

By Mr. Jones:

Q. May I ask a brief question about Osoyoos. Have you a record there of the number of telephones still to be installed—the requests made?—A. Did you say Osoyoos?

Q. Yes, or south of Oliver to the border.—A. In Osoyoos we have just recently installed an automatic exchange, I think, and the number of stations in service at the end of December 1950 was 270. I do not see any record of held applications.

Q. How many applications?—A. I have no record of held applications at Osoyoos.

Q. Have you the figures for Princeton as well?—A. Yes. At Princeton we have no held orders. Princeton had 180 stations at the end of the war; it has now 400 stations and the growth there is that we have taken care of 220 stations. It was one of the lucky places where we just happened to have facilities because it had gone down and then come back.

Q. I am only asking for information, I have actually had very few complaints.—A. These figures are available—and I think most members have them. There are copies here.

Q. In fairness to the company, the complaints I have had I have taken up with the man in Kamloops who attended them very quickly. There is one other thing, and whether it is possible I do not know. The telephone books for Osoyoos are issued in Kamloops. In Kamloops you get the Osoyoos telephones, but Kamloops is 150 miles from Osoyoos, whereas Penticton is only 40 miles away. I know that Penticton is on another service but I was wondering if the two companies could not get together and try to work Osoyoos, Oliver, and Penticton into one book?—A. A combined directory?

Q. It is useless as it is.—A. There may be some sound commercial reasons and operating reasons why it is not feasible but I will certainly look into it.

Q. It would help the company and it definitely would help the people in the south end of the valley.—A. If you will drop me a note when I get back and when we are away from this atmosphere here—

Mr. MacINNIS: What is wrong with this atmosphere?

The WITNESS: It is too hot.

Mr. MORT: I would like to ask Mr. Hamilton some questions. I have asked him many questions on other occasions but this is a good time to ask him some more.

I think we all realize this expansion program that you have—from looking at this chart and also comparing the rates of growth of the population, especially in the lower mainland, besides in other places in British Columbia—is going to take considerable money. I want first to ask you a question in regard to the automatic system. You know we have been pressing for years from New Westminster for an automatic system. I fully agree with you in your answer to the question asked by my friend about automatic systems. We are right alongside the nerve centre of communications, twelve miles away, but we have not been able to get that system. There is no doubt it is in the program to extend the automatic system throughout Burnaby, New Westminster, and the thickly populated areas of the communications centre which is Vancouver. In this \$50 million is there an allowance so that we may expect in time, before this \$50 million is all spent, to have the automatic system in those particular areas? —A. If you will not pin me down to absolute figures I will say there is somewhere between \$4½ million and \$5 million for the improvement and replacement of the existing services in the New Westminster area. I think it was when you were in office in New Westminster, just shortly before the war, that we were going to proceed to take it up and we purchased the necessary property—the site—for the new automatic exchange. That is one item that is very definitely there. I would say that has about No. 2 priority on the list of exchanges for reconversion.

Q. I am very glad to hear you say that, Mr. Hamilton. With all due deference to what Mr. Green says in respect of this bond issue or where the profits are going, the main complaints I get throughout my part of the Fraser Valley and also from New Westminster, concern the service and the requirements at the present time for telephones. Every time I go home there are calls asking that even for business they should try to get telephones in. I speak of places they should try to get telephones in. I speak of places such as White Rock, Crescent Beach and those places.—A. Well, since the end of the war we put in a complete new office at Newton.

Q. Yes?—A. The Cloverdale and Surrey area covers a very substantial part of the province from the international boundary to within a short distance of New Westminster. We put in a new office to take care of those requirements in the Newton area, but because of the tremendous growth it is entirely inadequate today.

We have on order and we are proceeding to install completely automatic service at Cloverdale. Cloverdale is probably one of the most acute spots because all those elements have come to the point where they impinge and we are just frustrated and cannot do another thing. It is an old magneto board, but up until 1939 it admirably served the demands of the Cloverdale area. At White Rock, some years ago, we did put in a complete automatic exchange connecting Cloverdale and Newton but the same applies there. White Rock has gone crazy, as far as growth is concerned. I do not know where they come

from, but it just seems they come from every place. However, we have on order now the necessary additional facilities to at least begin to take care of the demands.

Q. That particular area has grown to 10,000.—A. Well, you have the figures and I do not need to quote them.

Q. I wish to ask you another question. I notice in one of the leading papers that of late you have spent \$62,000 or \$85,000 in Yarrow which is in the Fraser Valley member's constituency. That was for a new automatic exchange, and also I think \$85,000, or \$65,000 will be spent in Chilliwack. Are those fully automatic systems?—A. Yes, that is to take care of the growth.

Mr. GREEN: That is not under the British Columbia Telephone Company? —A. No, but I have to do with the operation of it. Chilliwack has become a very, very fast growing area. As we have those conditions there, we are apportioning out the available equipment throughout the province irrespective of which company is operating.

By Mr. Mott:

Q. I suppose if this \$50 million is granted it means faster movement in getting these services through, and continued employment for the members of your company. Is that not so?—A. Yes.

Mr. MACDOUGALL: You meant \$50 million, not \$15 million?

Mr. FULTON: He said \$50 million.

By Mr. Mott:

Q. In my constituency there are a considerable number of your employees and I am interested in knowing whether the plans you have for extension in that particular area indicate that employment will be provided for some time to come. Can you give me any idea, with your knowledge, how long this extra \$50 million will carry you through?—A. I think I just remarked on that a few moments ago when Mr. Farrell had said that instead of taking ten years to use the full \$50 million that we would probably use it up in seven or eight years, and I think I commented on and gave some additional reasons why that time may be very well further reduced. I do not think I need to enlarge on that.

Mr. MOTT: That is fine, thank you.

Mr. MACDONALD: Mr. Chairman, I have listened this afternoon for two and a half hours to testimony and cross examination of witnesses. Instead of placing questions as to the number of 'phones that will probably be needed in a community members have gone into this in great detail. Now, I cannot talk on the British Columbia Telephone Company as that company does not serve the area in Canada which I represent, but I know that the problems relating to the telephone companies are not confined to the British Columbia Telephone Company. These problems are met with by even the very fine city-owned telephone system we have in the city of Edmonton. If we are going to proceed in this manner we are going to be here all summer. If one or two members of the committee are going to have the privilege of talking about their constituencies or areas, we are going to be here a long time. I have nothing to offer in that regard. We are here to determine whether this company requires additional capitalization. I think the questions should be more relevant to that matter and kept within some limits of a direct question and a direct answer.

Mr. HERRIDGE: Let me say in reply to that, that the question of services to be supplied is directly related to the question of whether this \$50 million additional authorized capital is required.

By Mr. MacDougall:

Q. I have a short question to ask Mr. Hamilton. I think, as has already been stated, that there are approximately 30,000 in British Columbia that require an upgrading in their telephone service, I might say I am one of that 30,000. I would like to ask Mr. Hamilton, if he has before him the figures as to the unfilled orders or unfilled applications in the city of Vancouver?—A. Yes, sir, 10,426 as of the end of December, 1950.

Q. 10,426?—A. Yes, at the end of December 1950, we were operating 139,178 stations and there were held orders amounting to 10,426.

Q. Thank you very much.

By Mr. Laing:

Q. That is within the city?—A. That includes—

Q. Richmond?—A. No, that includes the university area and a great deal of Burnaby. You see Vancouver exchange area stretches out into Burnaby and there is another portion attached to New Westminster for service reasons.

The DEPUTY VICE-CHAIRMAN: It is now five minutes to six. We apparently have not finished with Mr. Hamilton. Would it be in order for an adjournment now?

Mr. APPLEWHAITE: Will we meet tonight?

The DEPUTY VICE-CHAIRMAN: Do you want to meet tonight?

Mr. GREEN: On the question of when we sit again, some of us have to be in the House from eight to nine o'clock tonight and I do suggest because there are now so few able to attend, and there will be fewer this evening, that we adjourn until the first of the week.

Mr. APPLEWHAITE: I am in the hands of the committee. I am not going to make an issue of it. I do think we understand Mr. Green's position and this committee should not be asked to sit between eight and nine. In the interests of getting somewhere sometime I would like that we sit tonight.

Mr. MACDOUGALL: I so move.

Mr. GREEN: I must point out to Mr. Applewhaite that the city of Vancouver feels so deeply about this question that they have sent a representative here. Now, I do not think it will be fair to the city and to the half million people who are in the greater Vancouver area, let alone the others who are involved in this question of phone rates, if their representative is forced to go on and give evidence tonight with ten members, with a bare quorum, here, and everybody tired out. Really the result will be that he has no fair opportunity to present the city's case. That should be borne in mind by the members of the committee.

The DEPUTY VICE-CHAIRMAN: Mr. Green, you are away ahead of me. I did not think we were going to get through with this witness so quickly this afternoon; if we all took as much time as Mr. Herridge I thought we would be here a day or so.

Mr. HERRIDGE: Mr. Chairman, on a point of order, I would like to point out that I have not taken one-sixth of the time taken by some other members.

The DEPUTY VICE-CHAIRMAN: I will withdraw my remark, Mr. Herridge.

Is it the wish of the committee that we sit tonight at any time? If you wish we can hold the other witness over until a later date, Mr. Green.

Mr. MACINNIS: Mr. Chairman, if there is any possibility of finishing tonight I would be very glad to sit. If there is not any possibility of that I do not think there is very much to be gained by meeting tonight say from nine to eleven o'clock. That is what we would have to do.

The DEPUTY VICE-CHAIRMAN: We might finish with one more witness. However, there is a motion. Mr. MacDougall has made a motion that we sit tonight. Is it the wish of the committee that we sit tonight? All in favour say yes, opposed nay.

We do not sit tonight.

Mr. APPLEWHAITE: Mr. Chairman, may I make a suggestion or rather ask the feeling of the committee on this? I am going to suggest, first, that this committee sit tomorrow morning as so many of its members are not in a class who go away for the week-end; but whether or not we sit tomorrow morning, I would like to have an expression of opinion now, please, as to whether it will meet with the approval of the committee if Mr. Farrell, the president of the company, were not available next week. In other words, we have both the president and the operating vice-president here and if we could let one of them go back to the scene of operations it would be of assistance to the company in its operations, it seems to me, but I feel the wishes of the committee should be taken into consideration.

The DEPUTY VICE-CHAIRMAN: I am sure we do not want to mess up the operations of the British Columbia Telephone Company. What is the opinion of the committee?

Mr. GREEN: I do not think any of us want to make it awkward for Mr. Farrell. He has given his evidence and been cross-examined. As far as I am concerned I am not asking that he be kept here. I believe that is the wish of the committee and of the representative from the city of Vancouver.

The DEPUTY VICE-CHAIRMAN: Is it the pleasure of the committee that Mr. Farrell be now excused?

Agreed.

Mr. APPLEWHAITE: When do we meet again?

The DEPUTY VICE-CHAIRMAN: When shall we meet again? Do you want to make a motion, Mr. Applewhaite?

Mr. APPLEWHAITE: I am not going to make a motion but I would like to have the feeling of the committee as to whether they think it desirable to meet on Saturday.

The DEPUTY VICE-CHAIRMAN: Is it the desire of the committee to meet tomorrow?

Some Hon. MEMBERS: No, no.

Mr. APPLEWHAITE: There is no use carrying a motion, Mr. Chairman, if there is no certainty that we will get a quorum tomorrow.

Mr. MACDOUGALL: I would make a motion, Mr. Chairman, that we meet at 9.30 on Monday morning.

The DEPUTY VICE-CHAIRMAN: We have a meeting at 10 o'clock on Monday morning.

APPENDIX A

FEBRUARY 9, 1951.

His Worship the Mayor and
Members of the City Council,
City Hall, City.

Lady and Gentlemen:

Re Application for Private Bill—British Columbia Telephone Company

The notification served on the City by the Solicitor for the British Columbia Telephone Company that the Company intended to apply to the Parliament of Canada for an Act amending its Act of Incorporation was referred by Council on January 15, 1951, to the Chairman of the Utilities and Airport Committee and the Corporation Counsel for consideration and report.

Brigadier Sherwood Lett, Solicitor for the Applicant, has forwarded to the City copies of a document marked "Advance Copy": "An Act respecting British Columbia Telephone Company", with a statement that while this advance copy is not necessarily final, no appreciable change is anticipated.

An examination of the "Advance Copy" reveals that the following amendments or additions to the powers of the Company are being applied for:

- (a) To increase the authorized capital of the Company from twenty-five million to seventy-five million dollars;
- (b) To provide for the issue hereafter of preference or preferred shares of a par value of either twenty-five dollars or one hundred dollars each;
- (c) To make provision for the subdivision of any outstanding preference or preferred shares of a par value of one hundred dollars each into shares of a par value of twenty-five dollars each if deemed advisable by the directors, and subject always to the consent of at least seventy-five per cent in par value of the holders of each class of such preference or preferred shares proposed to be subdivided;
- (d) To enable the Company to pay a commission on the sale of its shares;
- (e) To subdivide the presently outstanding ordinary shares of a par value of one hundred dollars each into shares of a par value of twenty-five dollars each and to provide that all subsequent issues of ordinary shares shall be of a par value of twenty-five dollars each.

Your committee consider that the outstanding feature of this "application" is contained in Item (a), whereby the Company seeks to obtain power to increase its authorized capital from the present limit of twenty-five million to a new limit of seventy-five million dollars, which would thereby treble the present limit.

The justification for so large an increase in authorized capital is explained by the Company as being due to the substantial population increase in the territory served having produced an extraordinary public demand for telephone service. This demand has made it necessary for the Company to extend its program of expansion and modernization inaugurated in 1946.

There appears to be no question that the Company is faced with a very substantial program of expansion and modernization in the years ahead, especially if this Province continues to experience a growth in population similar to that prevailing in the past decade.

Nevertheless, serious consideration should be given regarding the wisdom of allowing the Company to obtain such substantial increase in authorized capital, that might well enable it to carry on for another twelve to fifteen or possibly even twenty years before requiring to come before Parliament again for amendment to its Act.

It should be remembered that this Company, although providing a vital public utility service within the limits of the Province, does not come under the close and continuing scrutiny of the B.C. Public Utilities Commission as would be the case if the B.C. Telephone Company had not obtained original incorporation by an Act of the Parliament of Canada.

The expansion program outlined by the Company at the 1950 rate enquiry indicated an anticipated expenditure on capital account at a rate of approximately ten million dollars per year up to 1952 and such a figure would appear to provide for a very optimistic program in the years ahead.

Actually the Company still have a margin of five million dollars available for capital expansion under the present authorization of twenty-five million dollars, so that if the limit were raised from twenty-five to seventy-five million this would provide a margin of fifty-five million dollars.

This margin of fifty-five million dollars would enable the Company to raise say one hundred and ten million dollars if future financing were carried out on a basis of fifty per cent debt capital and fifty per cent stock capital. To this total should be added the large sums likely to be available to the Company from the Depreciation Reserve, so that it appears reasonable to anticipate the margin of capital authorization now sought by the Company would provide for a liberal expansion program for from twelve to fifteen years, or even longer if the growth of population and business activity should encounter some curtailment or set-back.

Our attention has been directed to another possible aspect of this proposed large increase in authorized capital. There appears some likelihood the Company may be seeking to increase substantially the proportion of Common Stock in their capital structure. At the time of the 1950 rate enquiry the Company placed great stress on the desirability of attaining a capital structure made up of two-thirds stock and one-third debt and presented a voluminous brief and testimony from an outstanding economist that such an objective was the optimum. Counsel for the Company also advocated very strongly that such a capital structure should be aimed at, as compared to the then prevailing structure of thirty-six per cent common and preferred stock and sixty-four per cent debt.

If the main reason for the large increase requested in capital stock authorization is due to the contemplated action by the Company to attain a capital structure limited to one-third debt, then serious apprehension should be felt as to the substantial increase in the cost of new capital likely to be entailed, the burden of which would inevitably be reflected in increased costs in rates and services to the telephone customers. Not only would such a policy involve the extra cost of new money due to the large increase in proportion of common stock, calling for much higher yields than would have to be met for funds raised in the form of debt capital, but the exemption from Income Tax enjoyed by bond interest payments would also be lost to the extent involved.

Your committee would accordingly recommend that the City should at this time oppose the application of the Company to obtain such an excessive increase in capital authorization (from twenty-five million to seventy-five million dollars) as provided for in the Bill now being presented.

Your committee further consider that the City should take advantage of the opportunity now being afforded, when the application of the British Columbia Telephone Company to obtain extra powers comes before Parliament, to press for some relief from the oppressive policies now being carried on by the Company.

Reference is made particularly to the situation disclosed in the report of the Special Committee re Telephone Rates which was adopted by Council on December 27, 1950, relating to the Licence, Supply and Directory Contracts now in effect between the British Columbia Telephone Company and its parent and affiliated companies.

These contracts are all dealt with at some length in the report on the Judgment relating to Telephone Rates presented to the City Council by Messrs. McTaggart and Brakenridge under date of December 8, 1950, and it does not seem necessary to repeat the particulars already familiar to the members of Council.

At this time it is only necessary to recall that substantial profits made by the affiliated Supply and Directory Companies are diverted from B.C. Telephone Company operations to the coffers of the parent company, Anglo Canadian Telephone Co. of Montreal, thus depriving the B.C. Telephone Company of income which should be considered as an integral part of its operations. The Licence Contract is on a somewhat different basis and entails a flat payment by B.C. Telephone Company of one per cent of its annual gross revenue to the parent company, Anglo Canadian Telephone Co., for certain services alleged to be furnished by the parent company, although it is admitted that any such services rendered are obtained through another American group of telephone companies. Obviously this Company should not be permitted to detach lucrative sources of income from its own operations for the benefit of the Anglo Company.

If the Council concurs in the views advanced in the foregoing four paragraphs, your committee would further recommend that the City take all possible steps to endeavour to have presented to Parliament the onerous nature of the contracts to which the B.C. Telephone Company is now subjected, when the Private Bill of the Telephone Company is under consideration, in an endeavour to obtain relief or amelioration from the adverse consequences of such contracts.

In reference to the other proposed amendments or additions to the powers of the Company as outlined previously under subheadings (b), (c), (d) and (e) your committee see no reason to advance any serious objections to same.

Your committee would offer the suggestion that if this report is adopted by Council copies of same be forwarded to all the Vancouver Members of the Parliament with a request that they lend their fullest assistance towards obtaining the objectives therein advocated by the City Council.

Respectfully submitted,

.....
*Chairman, Utilities and
 Airport Committee*

.....
Corporation Counsel

Excerpts from report dated December 8th, 1950, made by Messrs. D. E. McTaggart and C. Brakenridge to His Worship the Mayor and Members of the City Council.

Re: Judgment—Telephone Rates

(1) Contracts—Licence, Supply and Directory

These three Contracts or Agreements were subjected to the strongest possible attack, particularly by Counsel for the Province and the City of Vancouver. The evidence disclosed a most remarkable set-up whereby the Telephone Company was obligated to pay out large sums for services, which there appeared every reason to claim, could be performed by itself at a very substantial reduction in cost.

A brief outline indicating the adverse nature of these arrangements as affecting the subscribers for British Columbia Telephone Company service follows:—

Licence Contract: This contract provides for an annual payment by the B.C. Telephone Co. of one per cent of its gross operating revenues to the parent

company, Anglo Canadian Telephone Company of Montreal. This Montreal company is a holding company and through its ownership of Common Stock controls the following companies operating in British Columbia:—

British Columbia Telephone Company
Canadian (B.C.) Telephones & Supplies Ltd.
Chilliwack Telephones Ltd.
Dominion Directory Co. Ltd.
Kootenay Telephone Co. Ltd.
Mission Telephone Co. Ltd.
North-west Telephone Company.

The annual payment by the B.C. Telephone Co. purports to be compensation to the parent company under this contract whereby the Anglo Company furnishes, or causes to be furnished, technical advice and assistance both general and specific in matters relating to operating, engineering, plant, traffic, commercial, accounting, patents, administrative and other departments of the Company. A further proviso calls for expert advice and assistance in any financing which the B.C. Telephone Co. requires for the extension, development or improvement of its telephone system and services.

It is significant to note that this annual payment under the Licence Contract was reduced from $1\frac{1}{2}$ per cent to 1 per cent of gross operating revenues, effective January 1, 1949, just a short time prior to the B.C. Telephone Co. filing its application for an increase in rates.

For the year 1948 payment at the prior rate of $1\frac{1}{2}$ per cent was \$181,051.00.

For the year 1949 payment at the current rate of 1 per cent was \$129,711.00 (estimated).

It was brought out at the Hearing that the Anglo Canadian Telephone Co. being a holding company, had no staff available to render the extensive type of administrative, professional and technical services called for under this contract, but it was claimed that through the agency of the parent company of Anglo, The Associated Telephone and Telegraph Company (incorporated in Delaware, U.S.A.), the required services were available from a group of affiliated companies known as the "Gary" group controlled by Theodore Gary Co., a Missouri Corporation.

Nevertheless the fact remains that while the B.C. Telephone Co. paid to the Anglo Company for services under this contract for the year 1948 the sum of \$181,051.00, the amount Anglo in turn paid to its parent, the Associated Company for such service for the same year only amounted to \$3,150.00.

Actually the B.C. Telephone Co. maintain their own staff of competent officials and while there may be times when a special problem arises that calls for expert outside assistance, it is difficult to see how any justification exists for the payment to the parent company of such large sums every year, and more particularly so when such payments are based on a set percentage of gross operating revenue.

Notwithstanding the evidence and argument presented against this particular type of contract and also the fact that payments made to Anglo under this contract had been disallowed as expenses by the Dominion Income Tax officials, the Board ruled that the contract was bona fide and a means whereby the B.C. Telephone Co. obtains valuable patent rights and expert service.

Supply Contract: This contract, while not directly with the parent company like the Licence Contract, is only one step removed, as it is with a wholly-owned subsidiary of the parent company, viz: The Canadian (B.C.) Telephone and Supplies Limited.

Under the contract the B.C. Telephone Co. practically turns over to this subsidiary the purchasing of all supplies, custody of all stocks, installation of

telephone exchange equipment and execution of repair work. These various services call for payment by the B.C. Telephone Co. to the subsidiary at stipulated rates. In the case of supply purchasing, the commission is now set at 5 per cent but here again this rate was reduced from a prior rate of 6 per cent to one of 5 per cent, effective from November 1, 1948.

Evidence at the Hearing established that many of the supplies are purchased from other affiliated companies of the group and in one case purchases pass in turn through two such affiliated companies thus involving three separate commissions or profits.

At the Hearing opposing Counsel forcefully contended that if this Supply Contract and the Directory Contract (to be later dealt with) could not be revoked, the B.C. Telephone Co. should not be allowed to charge to operating costs, on account of these two contracts, any more than a reasonable return on the money invested in the respective subsidiary enterprises.

On the basis of an allowance of 5 per cent return on net invested capital it was shown that the Canadian (B.C.) Telephone and Supplies Ltd. had made an excess profit of \$150,176.00 for the year 1948.

In the case of this so-called Supply Contract the judgment indicated that the Board did not think it was within their power to direct the B.C. Telephone Co. to withdraw from the contract and establish its own facilities. However, the Board did rule that the expenses incurred under such contract were excessive and disallowed an amount of \$117,000 without giving any indication how this particular figure was arrived at.

Directory Contract: This contract, like the foregoing Supply Contract, is an arrangement between the B.C. Telephone Co. and another wholly-owned subsidiary of the parent company called the Dominion Directory Co. Ltd. whereby the Directory Company solicits and writes all advertising contracts for the space in the classified section of the B.C. Telephone Co. directories.

For these services including the furnishing of all necessary cuts, mats, plates, etc., a commission of 35 per cent on the total amount received from the advertising contracts sold, is paid to the Directory Company.

Evidence was brought out to show that the staff of this Directory Company is actually located in the head office building of the B.C. Telephone Co. and that even in the U.S.A. where the American Telephone and Telegraph Co. control all the various Bell companies across the nation, most of the respective Bell companies produce and handle directly their own advertising section of the telephone directory.

On the same basis as referred to previously in dealing with the Supply Contract, the earnings of this subsidiary company (Dominion Directory Co. Ltd.) for the year 1948 show an excess profit of \$57,903 and in addition a further sum of \$12,000 was paid to the parent company (Anglo Canadian Co.) as a so-called Management Fee.

In the judgment the Board stated that the method by which the company conducts its arrangements for securing advertising is entirely a management question and accepted the method now in operation as representing a proper exercise of managerial discretion.

Your advisers consider that approval of the foregoing three contracts by the Board as a proper exercise of managerial discretion by the B.C. Telephone Co. constitutes one of the most serious aspects of the judgment.

It will be readily apparent that as the scope and revenue of the Telephone Co. increase the sums involved in pay-outs from the revenues collected from telephone subscribers become increasingly larger. In fact, as was brought out in argument at the hearing, if this type of contract is to be approved then

what is to prevent the Telephone Co. from entering into similar arrangements with other subsidiary companies who could own and rent to the Telephone Co. the exchange buildings and even the equipment in such buildings as well as many other activities now carried on directly by the company.

(4) *Capital Structure*

The B.C. Telephone Co. in their endeavour to defend the intercorporate set-up of parent, subsidiary and affiliated companies, placed great emphasis on the somewhat exceptional capital set-up of the company, consisting of 64 per cent bonds, 20 per cent preferred stock and only 16 per cent common stock.

It was claimed that had the parent company, Anglo Canadian Telephone Co., not been prepared to supply all the common stock capital, then, in view of the heavy proportion of debt, common stock could not have been sold on the market at anything like the 8 per cent dividend, which had prevailed for a number of years.

An expert economist, specializing in public utility regulation, was retained by the Telephone company and presented a very voluminous brief in support of the above-noted contention, as well as on certain other features involved in the case.

Counsel for the opposition brought out the fact that the low proportion of common stock in the capital structure had been most advantageous to the parent company, as it had enabled them to retain complete control of the B.C. Telephone Co. with only the limited investment of 16 per cent of the total capital involved.

The B.C. Telephone Co. recently (November 1950) placed on the market the first issue of common stock ever offered to the public and the \$2,000,000 issued was quickly oversubscribed by the public at a price to yield slightly over 5.75 per cent on an 8 per cent dividend rate. This transaction clearly indicates how little reliance can be given to hypothetical prognostications of what the market will demand, even when advanced by experts.

In the judgment reference is made to the somewhat exceptional composition of this particular capital structure and it is reasonable to assume the Board were impressed by the evidence of the expert economist.

(5) *Surplus Earnings*

Some controversy centered around the claim of the B.C. Telephone Co. that over and above their need for sufficient earnings to meet all fixed charges, operating expenses and reasonable dividends; an additional sum of \$440,201 should be allowed as surplus in order that the company could attract and obtain the additional capital required to finance their large expansion program. It was stated by the company that this amount represented less than one per cent of the investment.

The opposing Counsel contended that when dealing with a public utility company, enjoying the protection of a monopoly and providing so essential a service as telephone communication under regulation, there was not much justification for surplus earnings, and particularly of so large an amount.

In the judgment, the Board have approved of this extra allowance for surplus earnings and apparently have accepted the statement of the company that it represents an amount of less than one per cent of the investment.

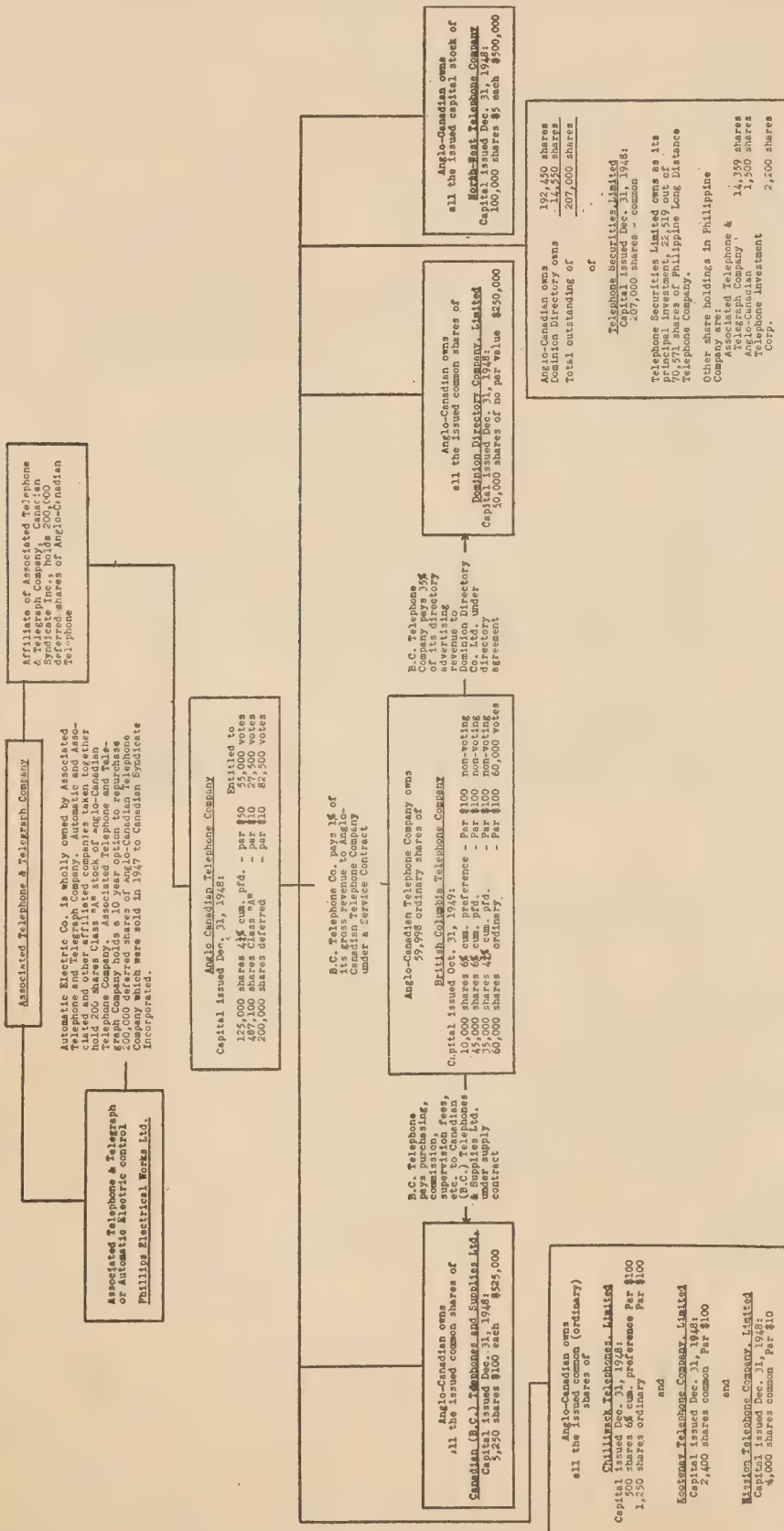
Actually, on the basis that the surplus accrues to the benefit of the common shareholders, the sum allowed, \$440,201, represents an additional 7 per cent to such shareholders over and above the 8 per cent dividend recognized as a fair rate of dividend.

APPENDIX B

PART I

For subsequent changes to May 31, 1951, see Part II (next page) of this Exhibit B.

CHART SHOWING INTER-CORPORATE RELATIONSHIPS OF BRITISH COLUMBIA TELEPHONE COMPANY



APPENDIX B

PART II

Changes subsequent to Part I (previous page) of this
Exhibit B up to May 31, 1951

Anglo Canadian Telephone Company owns 62,200 ordinary shares of British
Columbia Telephone Company

Capital issued May 31st, 1951.

10,000 shares 6% cum. preference.....—par \$100.—non voting
45,000 shares 6% cum. preferred.....—par \$100.—non voting
75,000 shares 4¼% cum. preferred.....—par \$100.—non voting
120,000 shares ordinary—par \$100.—120,000 votes

Anglo Canadian Telephone Company owns all the issued common (ordinary)
shares of:

Chilliwack Telephones Limited

Capital issued May 31st, 1951

500 shares 6% cum. preference.....—par \$100.
15,000 shares 5% cum. preferred.....—par \$ 10.
1,250 shares ordinary.....—par \$100.

and

Kootenay Telephone Company, Limited

Capital issued May 31st, 1951

15,000 shares 5% cum. preferred.....—par \$ 10.
3,000 shares common.....—par \$100.

and—

Mission Telephone Company Limited

Capital issued May 31st, 1951

4,000 shares common.....—par \$ 10.

Anglo-Canadian Telephone Company owns all the common (ordinary)
shares of:

North-West Telephone Company

Capital issued May 31st, 1951

25,000 shares 5% cum. preferred.....—par \$ 10.
100,000 shares common shares of \$5 each.

Anglo-Canadian Telephone Company owns	198,250 shares
Dominion Directory Company Limited owns.....	8,750 shares
	<hr/>
	207,000 shares

of

Telephone Securities Limited

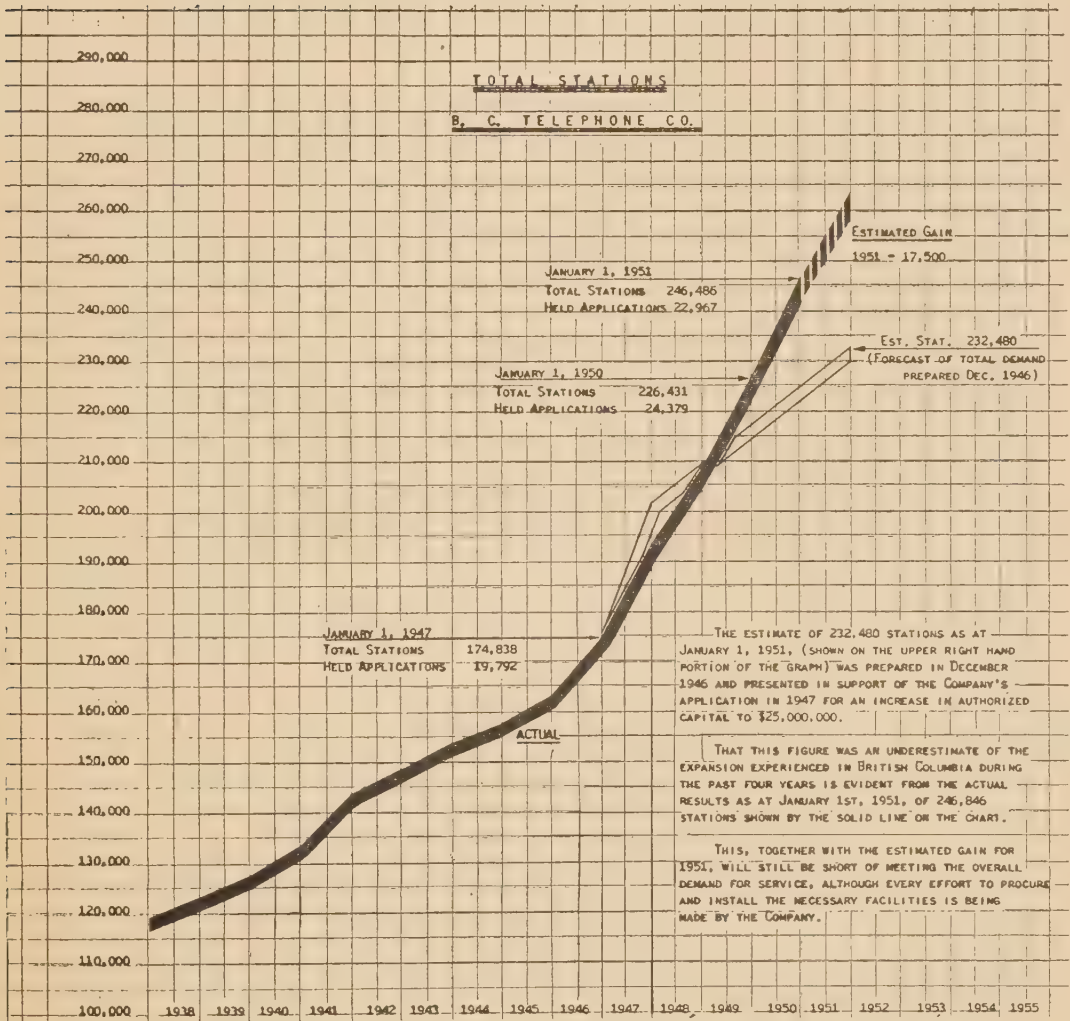
Capital issued May 31st, 1951—207,000 shares common

Telephone Securities owns as its principal investment 22,519 out of 70,571 shares of Philippine Long Distance Telephone Company

Other share holdings in Philippine Company are:

Associated Telephone & Telegraph Company	14,358 shares
Anglo-Canadian Telephone Company	1,500 shares
Insular Investment Company Limited	2,200 shares
General Public	29,994 shares

APPENDIX C



APPENDIX D
EXCHANGE SERVICE RATES
(in cents per month)
BRITISH COLUMBIA TELEPHONE COMPANY

GROUPING		BUSINESS SERVICE RATES						RESIDENCE SERVICE RATES				
Group No.	Number of Tele-phones per Exchange	Individual Line	Measured (*)	Multi-Party	Private Branch Exchange Trunk		Semi-Public	Extensions	Individual Line	Two-Party Line	Multi-Party	Extensions
					1 Way	2 Way						
1	1 to 250	390	.....	270	440	535	390	125	245	195	185	75
2	251 to 750	415	.....	295	465	560	415	125	255	205	195	75
3	751 to 1,500	440	.....	320	490	585	440	125	265	215	205	75
4	1,501 to 2,500	465	.....	340	515	635	465	125	275	225	215	75
5	2,501 to 5,000	515	.....	365	560	685	515	125	295	235	225	75
6	5,001 to 10,000	560	.....	415	610	755	560	125	320	250	240	75
7	10,001 to 20,000	635	.....	465	710	855	610	150	340	270	255	100
8	20,001 to 40,000	735	465	515	830	975	660	150	365	295	270	100
9	40,001 to 80,000	880	515	585	975	1,170	710	150	400	320	285	100
10	over 80,000	1,025	585	685	1,125	1,370	780	150	440	340	305	100

*Measured service rate includes 100 outgoing calls per month.
Excess outgoing calls, over 100 per month, 4 cents per call.

APPENDIX E
BRITISH COLUMBIA TELEPHONE COMPANY
SUMMARY OF PROPOSED EXPENDITURES BY AREAS

Areas	Present Commit- ments	Proposed 1951 Program	1952 Estimated Program	Total
	\$	\$	\$	\$
1. GREATER VICTORIA AND SAANICH PENINSULA.....	1,517,660	838,050	965,000	3,320,710
2. BALANCE VANCOUVER ISLAND AND GULF ISLANDS.....	250,994	300,960	349,500	901,454
3. GREATER VANCOUVER AND NEW WESTMINSTER.....	3,861,489	9,419,415	7,431,000	20,711,904
4. LOWER FRASER VALLEY.....	750,228	421,150	394,000	1,565,378
5. KAMLOOPS.....	133,775	89,075	147,000	369,850
6. KOOTENAY.....	309,757	210,650	257,500	777,907
TOLL PLANT AND EQUIPMENT.....	1,891,866	710,800	612,000	3,214,666
	8,715,769	11,990,100	10,156,000	30,861,869

